Chain Store Age EXECUTIVE

with Shopping Center Age

The new magazine for retail operations

November 1981

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MEXICO
U.S. retailers' newest market

TWENTY DOLLARS A YEAR (USA)

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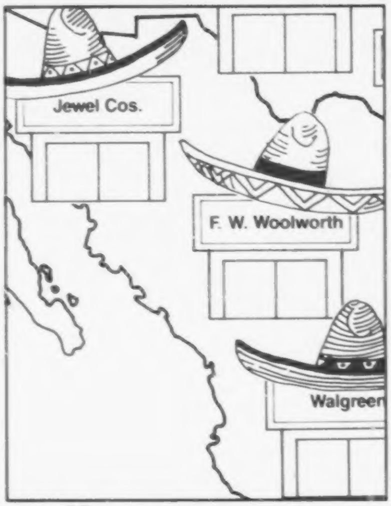

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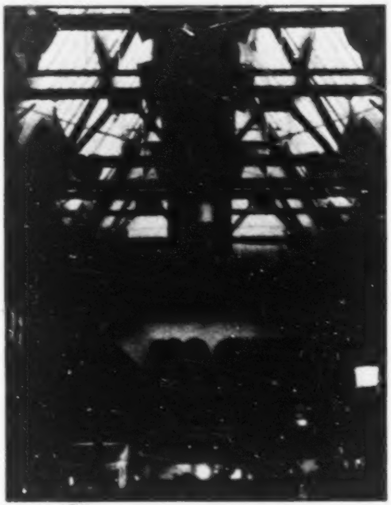

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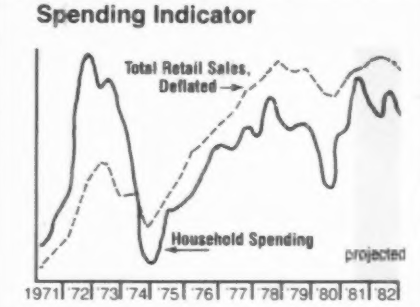
Retail sales climb brakes at 2%



Total Retail

	Sales Change By Quarter								12-Month % Change		
	'80 1Q %	'80 2Q %	'80 3Q %	'80* 4Q %	'81* 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
Sales include inflation	**8.1**	**4.3**	**3.5**	**5.8**	**8.4**	**10.9**	**7.5**	**5.0**	**10.0**	**5.0**	**8.0**
Real sales (Deflated)*	**1.8**	**−2.0**	**−3.3**	**−1.1**	**2.2**	**4.9**	**2.1**	**0.2**	**4.0**	**−1.0**	**2.0**

Base = July 1981 Sales
*Projected

Recent braking trends in sales, coupled with major revisions in the latest Government statistics, now point to a slower rate of general sales velocity in 1981 overall than forecast previously.

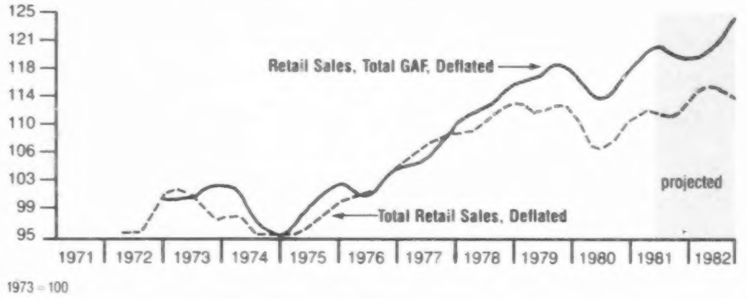
Total retail sales will probably match or edge slightly above 1979-80 levels, the latest Econocycle computations reveal.

As a result, the L/F spending indicator (*below*) is also pegged lower than projected earlier in the year. But there still appear to be strong signs that consumer confidence—spiked by just initiated tax rebates—will pick up in 1982, at a steady, but slower rate-of-growth.

Total retail sales gains are expected to edge up about 2% over the next two months. This will depress the final quarter gains of 4% that were originally expected, according to the latest forecast-computations.

The L/F Econocycle projection is for "spotty" relative increases by select retail groups over the next two months:

- Food stores continue to pile up strong gains with 5% increases forecast for November and a 4%-plus rate for the final quarter.
- Department stores will plow ahead with steady 3% and 4% monthly gains leading to a near-4% fourth quarter increase.
- And apparel specialty operators should produce gains in the 3% range over the next two months.
- The outlook for drug retailing remains mixed. New Government figures now indicate a sales-decline that dates back to 1980, but the latest trends show drug sales on the rise heading into 1982.



Sales/Include Inflation % Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	**9.4**	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	**5.0**	10.3	9.3	− 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	**5.9**	11.2	8.3	− 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	**7.3**	10.6	7.2	− 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	**10.2**	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	**12.3**	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q*	**9.4**	8.7	9.0	7.8	7.9	2.7	7.3	9.4	7.5
	4Q*	**7.4**	7.6	7.1	0.6	4.5	1.6	5.5	6.1	5.0
% change 12 mos.	1979	**11.0**	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	**7.0**	11.0	9.0	− 3.2	12.0	5.0	5.0	6.0	5.0
	1981*	**10.0**	9.0	9.0	8.0	6.0	5.0	8.0	9.0	8.0

Real Sales (Deflated)* % Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	**− 1.2**	5.8	0.0	− 2.6	3.8	4.9	−1.4	1.9	1.8
	2Q	**− 5.0**	4.9	− 0.1	−17.6	2.0	− 3.4	0.5	− 2.4	− 2.0
	3Q	**− 4.2**	2.0	− 0.9	−18.5	0.5	− 5.8	−0.2	− 3.4	− 3.3
	4Q	**− 2.9**	− 0.6	− 1.8	−10.4	3.9	− 1.1	1.5	− 2.0	− 1.1
1981	1Q	**0.7**	− 1.4	− 2.1	− 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	**3.6**	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q*	**1.9**	1.6	0.7	0.5	− 1.0	− 3.0	3.5	3.6	2.1
	4Q*	**1.8**	4.6	0.5	− 6.1	− 2.9	− 4.9	2.8	1.2	0.2
% change 12 mos.	1979	**1.0**	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980*	**− 3.0**	3.0	− 0.7	−12.0	2.0	− 1.0	0.1	− 1.0	− 1.0
	1981*	**2.0**	1.0	0.3	− 0.3	− 9.0	− 0.7	4.0	3.0	2.0

Base = July 1981 Sales *Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (*above, facing*) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Department of Commerce.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

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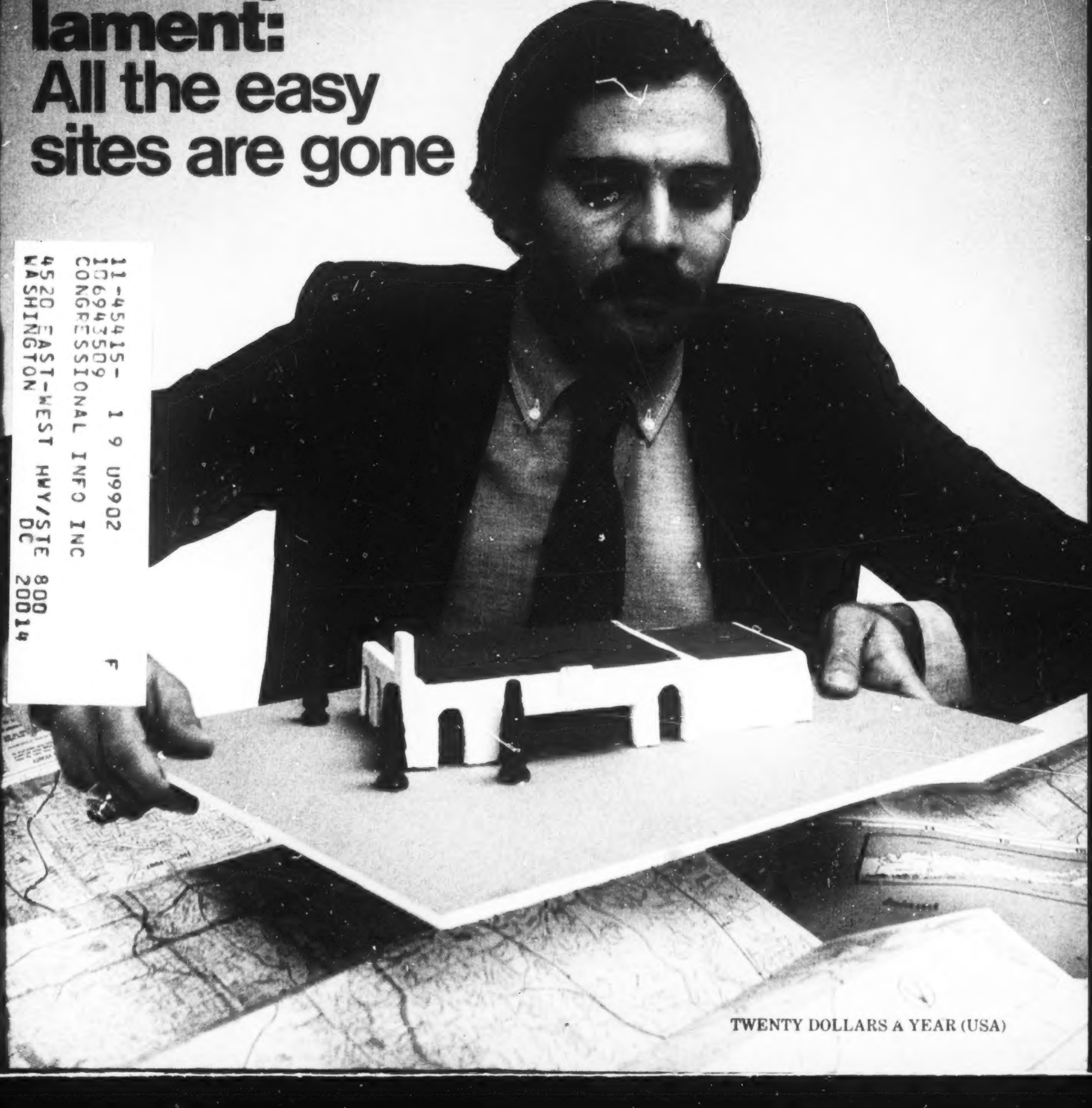
Developers' lament: All the easy sites are gone



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The Annual Census of United States Shopping Centers

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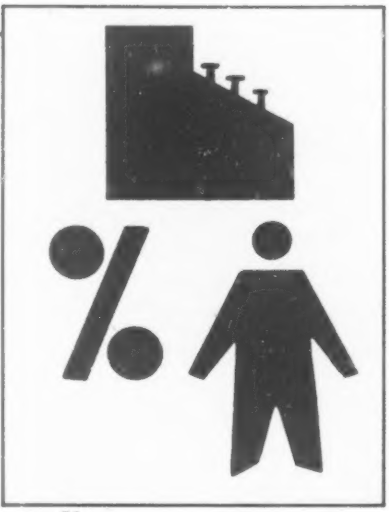

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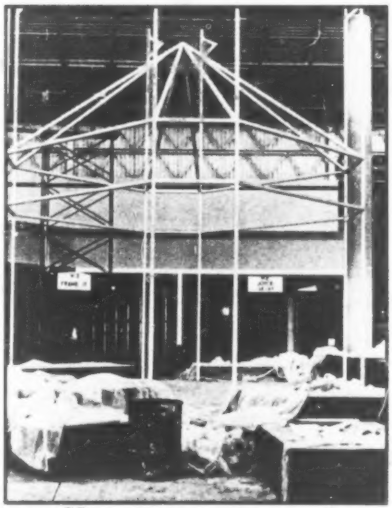

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Chain Store Age
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Developers plot strategies by the numbers

It's no secret that the United States shopping center industry has fallen on hard times, and the immediate outlook for 1982 is more of the same.

The exorbitantly high cost of money is, of course, the prime villain on the real estate stage. "The keystone of the business is gone, that keystone being permanent financing," says Edwin Homer, president and coo of Homart Development Co., the large Chicago-based developer, which is a unit of Sears, Roebuck.

The industry has also come to grips with the fact that due to the nonstop proliferation of shopping centers across the country for the past 20 years, good sites are becoming increasingly difficult to secure.

Many developers view the equity terms being offered to them as unfavorable

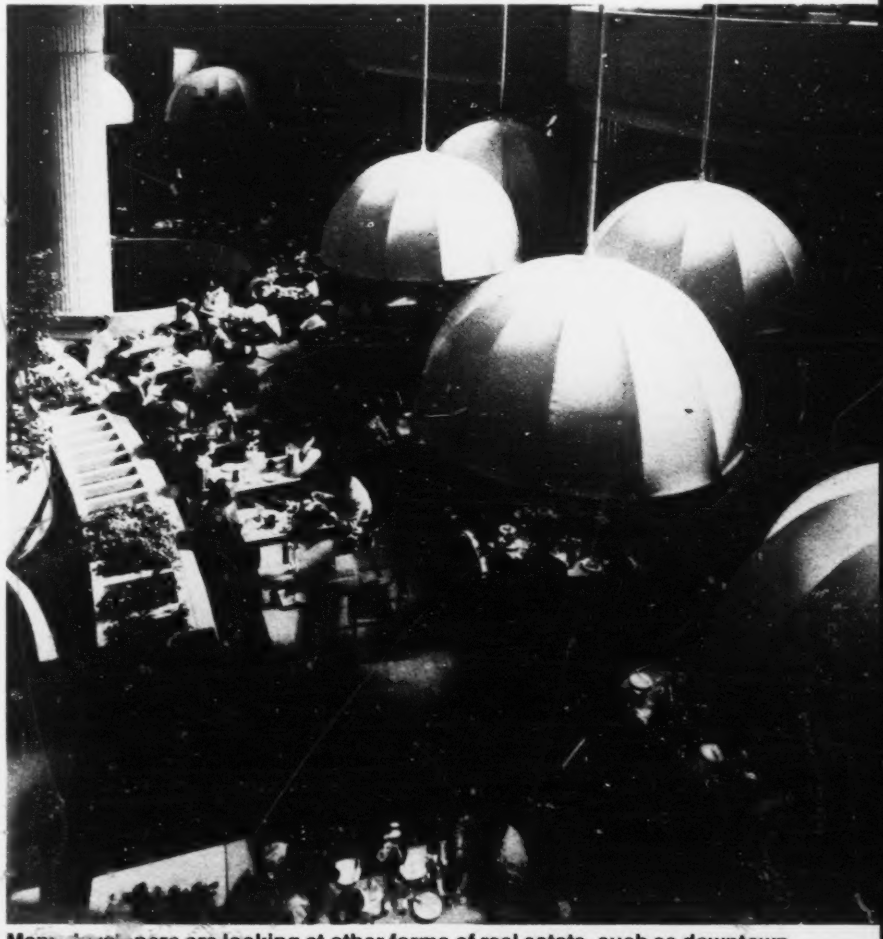
"There's simply a limited supply of new shopping center activity right now," states Walter Ehlers, executive vp for Teacher's Insurance & Annuity Association, one of the country's largest institutional lenders and equity participants in the shopping center industry. Even more blunt is the assessment of Stu Robbins, retail analyst for Paine Webber, that "shopping center development has exceeded growth potential in many markets."

As a result, developers like the Taubman Co., one of the nation's largest, are, according to Taubman president and coo Robert Larson, "far more selective in insuring locations and markets for our centers." Adds Homart's Ed Homer, "the cookie cutter days are gone."

Aside from the problems of a dearth of desirable sites, and not enough lending money to go around, the shopping center industry is facing increasingly strained relationships with its tenants.

"Some centers are experiencing a slowdown in getting their tenants," asserts Ehlers of Teachers Insurance. "Many tenants are just not able to pay the rents needed in this environment."

One prevailing trend that has emerged from this unfavorable economic climate is what Al Sussman, executive vp for the International Council of Shopping Centers, de-



Many developers are looking at other forms of real estate, such as downtown sites and mixed-use projects.

scribes as a "holding pattern" in the industry's growth. The ICSC estimates that only 700 centers will have opened in 1981, a figure equal to the number of new centers opened in 1971, and less than half the all-time high of 1,650 centers opened in 1980. For 1982, the ICSC forecasts only 550 centers opening, and just 700 in 1983.

While some developers have curtailed construction to concentrate on management, many others are, in the words of Jerry Gershman, senior vp for Melvin Simon and Associates, "looking at other forms of real estate, such as office projects, downtown sites and mixed-use development."

"Mixed-use," an increasingly popular form of construction activity among developers, refers to a mix of retail, commercial, office and sometimes residential or hotel space on one large site.

Renovation and expansion of existing centers has also become a focal point of developer activity, and industry experts say that trend is likely to continue for the next several years.

High costs have also spurred a move toward smaller centers in "infill" areas, that is, sites in densely populated regions that had been passed over before, and smaller neighborhood strip centers. Paine Webber's Stu Robbins thinks this trend will also continue, as "you'll see more experimentation with malls, with mini-malls closer to the city; more centers built around

A statistical look at the markets

			%	$	
Rank	Area	1980 population	% change since 1970	Per capita personal income	1980 retail sales (000,000)
1.	New York	9,119,737	− 8.5	$ 9,839	$34,528
2.	L.A./Long Beach	7,477,657	+ 6.2	10,606	34,424
3.	Chicago	7,102,328	+ 1.9	10,455	31,375
4.	Philadelphia	4,716,818	− 2.2	8,958	18,517
5.	Detroit	4,352,762	− 1.8	10,433	22,464
6.	San Francisco/Oakland	3,252,721	+ 4.7	11,741	15,329
7.	Washington, D.C.	3,060,240	+ 5.2	11,313	15,526
8.	Dallas/Fort Worth	2,974,878	+25.2	9,931	16,135
9.	Houston	2,905,350	+45.4	10,638	16,950
10.	Boston	2,763,357	− 4.6	9,351	16,571
11.	Nassau/Suffolk, N.Y.	2,605,813	+ 2.0	10,468	13,524
12.	St. Louis	2,355,276	− 2.3	9,171	8,322
13.	Pittsburgh	2,263,894	− 5.7	9,218	8,736
14.	Baltimore	2,174,023	+ 5.0	8,967	9,272
15.	Minneapolis/St. Paul	2,114,256	+ 7.6	10,025	11,182
16.	Atlanta	2,029,618	+27.3	9,294	9,180
17.	Newark, N.J.	1,965,304	− 4.4	10,500	8,341
18.	Anaheim/Santa Ana/Garden Grove, Calif.	1,931,570	+36.0	10,547	11,109
19.	Cleveland	1,898,720	− 7.9	10,167	8,543
20.	San Diego	1,861,846	+37.2	8,908	8,285
21.	Miami	1,625,979	+28.3	9,714	9,007
22.	Denver/Boulder	1,619,921	+30.7	10,133	8,671
23.	Seattle/Everett	1,606,765	+12.8	10,788	8,452
24.	Tampa/St. Petersburg	1,569,492	+44.2	8,173	8,485
25.	Riverside/San Bernardino/Ontario	1,557,080	+36.7	8,403	7,165
26.	Phoenix	1,508,030	+55.3	9,322	7,199
27.	Cincinnati	1,401,403	+ 1.1	8,995	6,100
28.	Milwaukee	1,397,143	− 0.4	9,715	6,861
29.	Kansas City	1,327,020	+ 4.2	9,632	7,743
30.	San Jose	1,295,071	+21.6	11,064	6,718
31.	Buffalo	1,242,573	− 7.9	8,401	4,743
32.	Portland, Ore.	1,242,187	+23.4	10,067	6,998
33.	New Orleans	1,186,725	+13.5	8,605	5,008
34.	Indianapolis	1,166,929	+ 5.1	9,361	6,213
35.	Columbus, Ohio	1,093,293	+ 7.5	8,639	5,119

Rank	Area	1980 population
36.	San Antonio	1,071,954
37.	Hollywood/Fort Lauderdale, Fla.	1,014,043
38.	Sacramento	1,014,002
39.	Rochester, N.Y.	971,879
40.	Salt Lake City/ Ogden	936,255
41.	Providence	919,216
42.	Memphis	912,887
43.	Louisville	906,240
44.	Nashville	850,505
45.	Birmingham	847,360
46.	Oklahoma City	834,088
47.	Dayton	830,070
48.	Greensboro/Winston-Salem/High Point	827,385
49.	Norfolk/Virginia Beach/Portsmouth	806,691
50.	Albany/Schenectady/Troy, N.Y.	795,019
51.	Toledo	791,599
52.	Honolulu	762,874
53.	Jacksonville, Fla.	737,519
54.	Hartford	726,114
55.	Orlando	700,699
56.	Tulsa	689,628
57.	Akron	660,328
58.	Gary/Hammond/East Chicago, Ind.	642,781
59.	Syracuse	642,375
60.	Northeast, Pa.	640,396
61.	Charlotte/Gastonia	637,218
62.	Allentown/Bethlehem/Easton, Pa.	636,714
63.	Richmond	632,015
64.	Grand Rapids, Mich.	601,680
65.	New Brunswick/Perth Amboy/Sayreville	595,893
66.	W.P. Bch./B. Raton	573,125

Sources: U.S. Department of Commerce, Bureau of the Census and *Chain Store Age Executive* estimates
N.A.—Not available.

'themes' such as fashion specialty stores or factory outlets instead of anchors, and less of a willingness for centers to reach out for population, as they go to the people instead."

If economic outlooks are any indication, the challenges facing the shopping center industry are far from over. "The national economic climate is not exactly favorable for the industry," states Sandra Shaber, director of Chase Econometric's Consumer Market Service. Shaber forecasts that high interest rates are "probably going to continue" through at least mid-1982, and other economists see the United States economy mired in a debilitating recession through at least the first two quarters of 1982.

As a result, the retrenchment of the shopping center industry is likely to continue, as both the way the industry is looked upon, and the way the industry looks upon itself undergoes serious changes.

Certainly, the industry is no longer the darling of investors. "Shopping centers have more or less lost their glow," asserts Nathan Schloss, vp and treasurer of Real Estate Research Corp., a subsidiary of First Chicago Corp. Centers are "not considered as desirable as they were years before," Schloss says, "as investment interest has shifted to office centers."

Another major shift that shows every sign of continuing is the increasing dependence of developers to give away larger and larger per-

% change since 1970	Per capita personal income	1980 retail sales (000,000)
+20.7	7,518	4,685
+63.6	10,002	6,284
+26.2	9,188	5,126
+ 1.1	9,218	4,007
+32.8	7,924	4,083
+ 1.2	8,551	3,125
+ 9.5	8,041	3,658
+ 4.5	8,810	4,004
+21.7	8,510	4,016
+10.7	8,429	3,643
+19.4	9,306	4,548
− 2.6	8,740	3,505
+14.3	7,702	3,740
+10.2	7,641	3,177
+ 2.2	8,454	3,116
+ 3.8	8,962	$3,408
+21.0	9,573	3,685
+18.9	7,808	3,364
+ 0.8	9,862	4,586
+54.6	8,346	3,620
+25.6	9,436	3,553
− 2.7	8,591	2,748
+ 1.5	9,235	2,804
+ 1.0	8,015	2,545
+ 3.0	7,586	2,447
+14.3	8,890	3,167
+ 7.2	8,836	2,636
+15.5	9,741	3,104
+11.6	8,890	3,029
+ 2.1	10,024	2,521
+64.3	10,520	3,207

Rank	Area	1980 population	% change since 1970	Per capita personal income	1980 retail sales (000,000)
67.	Omaha	570,399	+ 5.2	8,510	2,601
68.	Grnvl./Sptbg., S.C.	568,758	+20.2	7,702	2,495
69.	Jersey City	556,972	− 8.3	9,158	1,521
70.	Austin, Tex.	536,450	+48.9	8,560	2,471
71.	Youngstown/Warren	531,350	− 1.0	8,648	2,283
72.	Tucson	531,263	+51.1	8,319	2,675
73.	Raleigh/Durham	530,673	+26.6	8,803	2,507
74.	Springfield/Chicopee/Holyoke, Mass.	530,668	− 2.0	8,030	2,144
75.	Oxnard/Simi Valley/Ventura	529,899	+40.1	9,011	2,256
76.	Wilmington, Del.	524,108	+ 5.0	9,465	2,337
77.	Flint, Mich.	521,589	+ 2.6	9,610	2,455
78.	Fresno	515,013	+24.7	9,093	2,498
79.	L. Br./Asby. Pk., N.J.	503,173	+ 9.0	9,674	2,222
80.	Baton Rouge	493,973	+31.6	8,515	2,068
81.	Tacoma	485,643	+17.8	8,779	1,873
82.	El Paso	479,899	+33.6	6,207	1,901
83.	Knoxville	476,517	+16.4	7,691	2,265
84.	Lansing/East Lansing	468,482	+10.5	9,029	2,068
85.	Las Vegas	461,816	+69.0	10,175	2,721
86.	Albuquerque	454,499	+36.4	8,602	2,187
87.	Ptson./Clift./Passaic	447,585	− 2.8	9,190	1,816
88.	Harrisburg, Pa.	446,072	+ 8.7	9,163	2,035
89.	Mobile	442,819	+17.6	6,980	1,714
90.	Johnson City/Kingsport/Bristol, Tenn.	433,638	+16.1	6,878	1,827
91.	Charleston. S.C.	430,301	+28.1	7,035	1,578
92.	Chattanooga	426,540	+15.1	7,970	1,780
93.	N. Haven/W. Haven	417,592	+ 1.6	9,218	3,163
94.	Wichita	411,313	+ 5.7	9,687	2,099
95.	Columbia, S.C.	408,176	+26.5	7,992	1,793
96.	Canton, Ohio	404,421	+ 2.7	8,403	1,769
97.	Bakersfield, Calif.	403,089	+22.1	8,614	N.A.
98.	Bridgeport, Conn.	395,455	− 1.5	12,266	1,760
99.	Little Rock	393,494	+21.8	8,556	N.A.
100.	Davenport/Rock Island/Moline	383,958	+ 5.9	9,770	N.A.

centages of a project's equity in order to obtain financing.

"The 30-year fixed rate is not happening anymore," says Schloss, and the price of financing is equity participation or income participation." Many developers view the equity terms being offered to them as unfavorable and consequently are simply not putting up new projects.

For developers who cannot afford to stop building, Melvin Simon's Jerry Gershman suggests that "developers are becoming manufacturers of shopping centers; they will own very little or a lot less than they've owned before."

This development is not necessarily "all that bad" Gershman says, because developers will "make money by producing more, and by taking fees for managing the centers." Homart's Ed Homer finds "a lot of merit" in Gershman's manufacturing description, and also sees benefits in the much needed cash flow resulting from fees.

In fact, the capital needs of the industry have become so acute that some industry observers, such as William Frenz, vp for Equitable Life Assurance Society, a major shopping center owner, predict that "if the recession continues, you might see owners of assets [in shopping centers] have to market or dispose of those assets."

Houston emerged as the fastest growing employment center in the United States

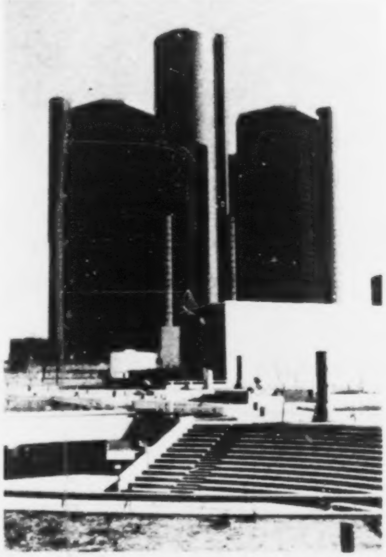
If developers are indeed forced to sell off properties to obtain scarce capital, Frenz says that Equitable would be "well poised to take advantage of that kind of condition."

Not everyone, of course, thinks it will come to that. ICSC executive vp Al Sussman is confident that "rates must come down," and when that happens, he says, "a tremendous demand for space will be unleashed."

According to Sussman, "there will be a need for close to 1 billion sq. ft. of additional retail space in the next 10 years, which is the equivalent of approximately 9,000 shopping centers."

Sussman's figures appear to fly in the face of analyst Stu Robbins' assessment that "major [development] companies should and must begin to defer or limit future expansion plans." Yet many major developers contend that expansion opportunities are far from exhausted.

"Just because there are not as many opportunities," comments Scott Ditch, vp-public affairs for The Rouse Co., the Columbia, Md.-based developer, "doesn't mean that there are not a lot of opportunities." Rouse, Ditch adds, has "a full development schedule" set for 1982.



Detroit's Renaissance Center points up the versatility of mixed-use projects in major urban areas.

Taubman's Larson asserts that "there are a number of attractive opportunities still available," and Ed Homer argues that rather than overbuilding, developers have followed retailers and "provided the needs of the market."

In fact, while some people in the industry, such as Ehlers of Teacher's Insurance, describe Sunbelt cities like Dallas and Houston "overdeveloped," Homer responds that Homart plans to build one large center every other year through the rest of the 1980's in metropolitan Houston.

In a recent forecast released by Chase Econometrics, Houston emerged as the fastest-growing employment center in the United States in the 1980's. The city's booming oil, gas, petrochemical and telecommunications equipment industries led Chase to predict a robust 4.6% average annual job growth rate, while Fort Lauderdale, Tucson, Las Vegas and Dallas-Fort Worth also registered rates at or above 4%. Rounding out the top 10 American cities with the greatest predicted percentage growth in new jobs were Austin, Phoenix, El Paso, Tulsa and San Diego.

In another demographic study, conducted by the Urban Investment and Development Co., the Chicago-based real estate development subsidiary of Aetna Life & Casualty, Houston's neighbor Dallas-Fort Worth was ranked as the metropolitan area with the best market conditions for retail development. Following Dallas were San Francisco, Houston, Washington, D.C., Los Angeles, Minneapolis-St. Paul, Miami, Detroit, Atlanta and Chicago.

And, according to the United States Census Bureau, Houston was also the leader among SMSA's (standard metropolitan statistical areas) with a population increase of 300,000 or more from 1970 to 1980, with an astounding gain of nearly 900,000 people. The other large urban areas gaining the most people during the decade were Dallas-Fort Worth, Phoenix, Anaheim-Santa Ana-Garden Grove, Calif.; San Diego and Tampa-St. Petersburg.

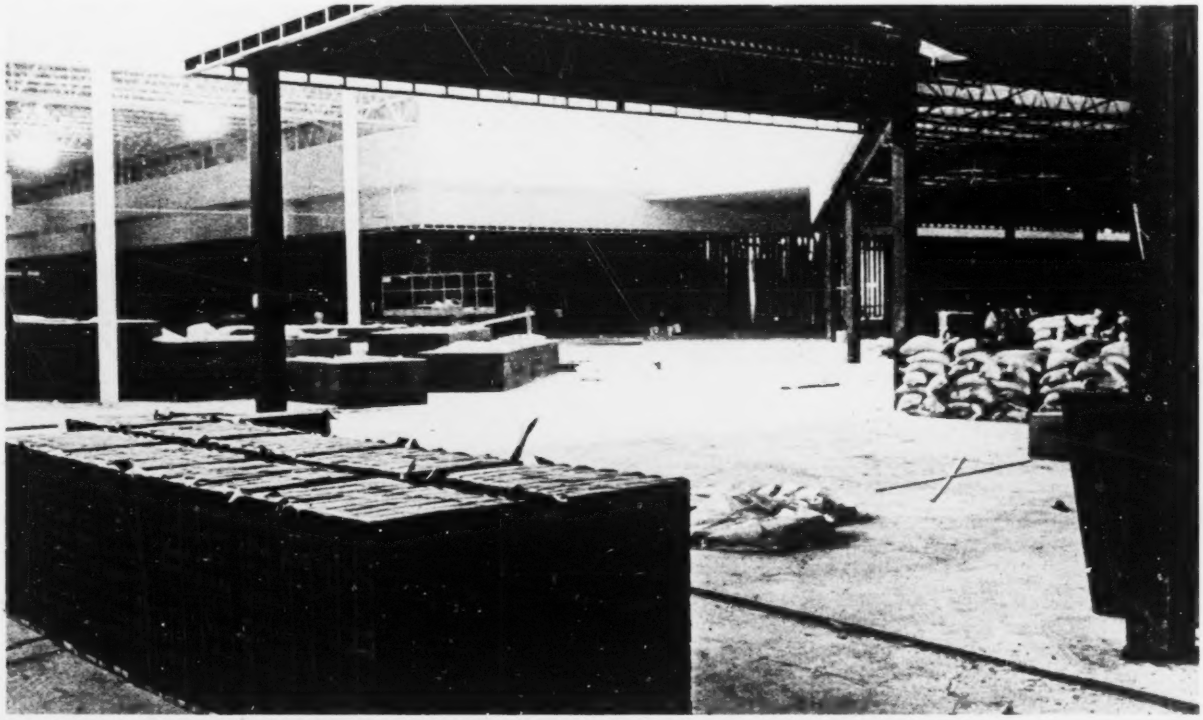
For the nation's developers, the 1980 census confirmed the population shifts that they anticipated in the early 1970's. The Northeast and North Central States almost stopped growing during the decade, and the metropolitan areas with the largest percentage loss of population were concentrated in those regions, led by New York (–8.5%); Buffalo (–7.9%); Cleveland (–7.9%); Pittsburgh (–5.7%); Boston (–4.6%); St. Louis (–2.3%); Philadelphia (–2.2%) and Detroit (–1.8%).

Southern and Western States, of course, saw the largest population gains, with Arizona gaining 53% and Florida gaining 43.4% more people than 10 years earlier, and California and Texas leading the nation in most people gained, with 3.7 million and 3 million respectively.

Another pertinent statistic for developers, reflecting the rise of regional shopping malls, is the fact that the proportion of the population living in urban areas increased only one-tenth of 1% between 1970 and 1980, the smallest gain in the nation's history.

As developers analyze the nation's demographic trends, a Paine Webber Shopping Center Expansion Analysis study predicts that nearly 62 million sq. ft. of gross leasable shopping center space have been proposed for the South Atlantic region, with Florida and Virginia combining for more than half of the total. The Pacific coast states are also set to experience significant shopping center footage increases, according to Paine Webber.

—Charles Paikert



The increasing scarcity of viable sites is making those that are left much more valuable.

Interest rates high on costs list

Surprise. "Building costs are stabilizing—some not as much as others, of course. Roofing and petroleum-based materials have not stabilized as quickly. But we have not seen significant increases in the last year or so."

So says Robert Wagoner, vp-design and construction for David Hocker & Associates, the Owensboro, Ky.-based developer of middle market shopping centers. And Wagoner is not alone in his estimation.

"A year ago, we were running at the rate of about 10% a year, but for the past 12 months, the rate of increase has been remarkably less—maybe as little as 3%," says M. G. (Buddy) Herring Jr., president of Paul Broadhead & Associates. "It has really slowed down. Even labor hasn't seen the same increases—I suppose because people are eager for work."

The consensus among developers is that development-cost increases during 1980, typically 12% to 15%, have fallen into the 3% to 6% range. But this refers to hard construction costs, as opposed to soft costs. Hard costs include expenses such as material, labor and equipment, while soft costs are incurred for professional fees, financing charges, marketing studies and regulatory delays.

Ironically, with the leveling off of hard costs, soft costs are now coming to the fore as the most volatile figures in the construction budget. Says one developer: "Interest rates are our biggest problem, and I mean both long- and short-term."

Current urban retail rent ranges anywhere between $10 and $500 a square foot

"The important thing to understand," says Anthony Cafaro, president of The Cafaro Company, "is that the lessening in hard costs has been more than offset by interest rate increases. In many instances, interest expenses are three times what they were. If we had carrying costs of, say, $2 million for a project we did in the past, we've now got carrying costs of $6 million."

Cafaro also points to a longer lease-up time as a more subtle cost factor. "It used to be that we could depend on having 95% occupancy when the project opened. Now, we're opening with only 50% occupancy, and filling in as we go along. In the interim between opening and the attainment of about 95% occupancy, however, we're not generating enough money to even cover the carrying costs—so our interim interest expense has to be stretched out over as much as a three-year period."

Legal fees have also mushroomed in proportion to the entire expense picture. Take the case of West-Sun Associates, a Santa Barbara, Calif., firm which labored before the City Council in Redondo Beach for more than two years to get a shopping center redevelopment plan passed.

West-Sun spent more than $200,000 during that time, but could not satisfy the Council that any of its proposals would work in the rundown Triangle Shopping Center. The last plan offered by the developer was for a multiuse project that included a 12-story hotel building—but that was rejected because the hotel portion was considered too big in relation to the retail segment of the center.

West-Sun, of course, experienced the extreme in legal costs, but other developers have had their problems as well. The Pyramid Crossgates Co. has been attempting for years to establish a mall in Guilderland, N.Y., an Albany County community. To date, environmentalists have succeeded in blocking the $85 million project on the grounds of inadequate sewage disposal facilities.

No matter the nature of the legal conflict, the expenses associated with them can drive development costs through the roof. What's more, they are often unpredictable, and difficult to budget for.

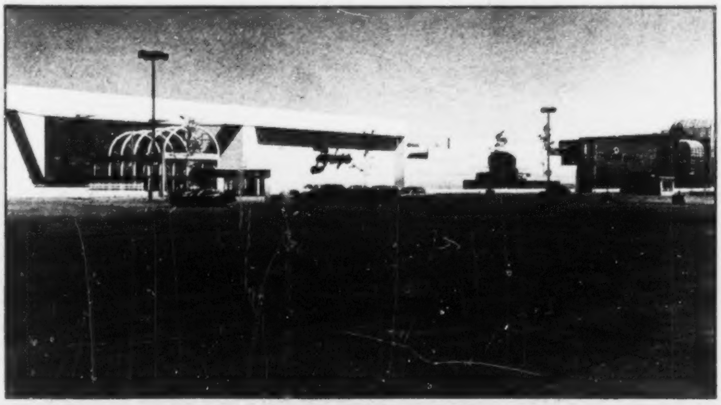
But hard costs still represent the lion's share of expenses. And this is likely to remain the case as simple projects become harder and harder to find.

"All the easy sites are gone," maintains Anthony Cafaro. "Sites today typically require much more extensive on-and-off-site improvements than they did years ago. It takes more work to develop a good center now, and that tends to make overall project costs increase that much more."

On-site improvements include grading of land, blacktopping and site lighting, which were not as much of a problem when firm, level land and adequate, existing power facilities were easy to come by. These days, however, developers are going back to sites they would not have considered at one time, and the challenge is testing their ingenuity.

Herring: The rate of increase in development costs has slowed down in the past year. It's as little as 3%.

David Hocker & Associates, for example, had to perform a $4 million excavation of a mountainside in South Williamson, Ky., in order to make room for its South Side Mall, a 350,000-sq.-ft. shopping center.



Saving on paving

The 22-acre King of Prussia Mall, outside of Philadelphia, recently found itself in the enviable position of having more traffic than it could handle—and in the unenviable position of having less than enough parking space to accommodate all that traffic.

In building an 85,000-sq.-ft. below-ground level for a new parking garage, Kravco, the owner of the mall, was primarily looking for a surface flexible enough to adjust to the peculiar geophysical makeup of the area. The $180,000 that Kravco saved in excavation and surfacing costs—by using soil-cement, a material made with on-site soil—was just a nice bonus.

To begin with, the mall operator needed a strong surface, which would stand up to years of wear. Secondly, it needed a material that was impermeable because the area was dotted with severe sinkholes. The 20-ft.-deep parking lot would also serve, incidentally, as the floor of a retention pond in the event that a river pipe running through the site became constricted and backed up.

Kravco had a choice of using the conventional excavation method and covering the lot with about 6 in. of asphalt—or using soil-cement for the base, and going with less than half as much asphalt for a wearing course. It opted for the latter.

Soil-cement is a highly compacted mixture of soil, portland cement and water, mixed to specification and allowed to harden in place. The soil can be almost any substance that exists on the site.

According to a spokesman for R. H. Sieminski & Co., the contractor that applied the soil-cement pavement at King of Prussia, the material is actually stronger than either high-grade asphalt or granular stone. One inch of soil-cement, says Ramon Sieminski, president, is the equivalent of 1½ in. of asphalt.

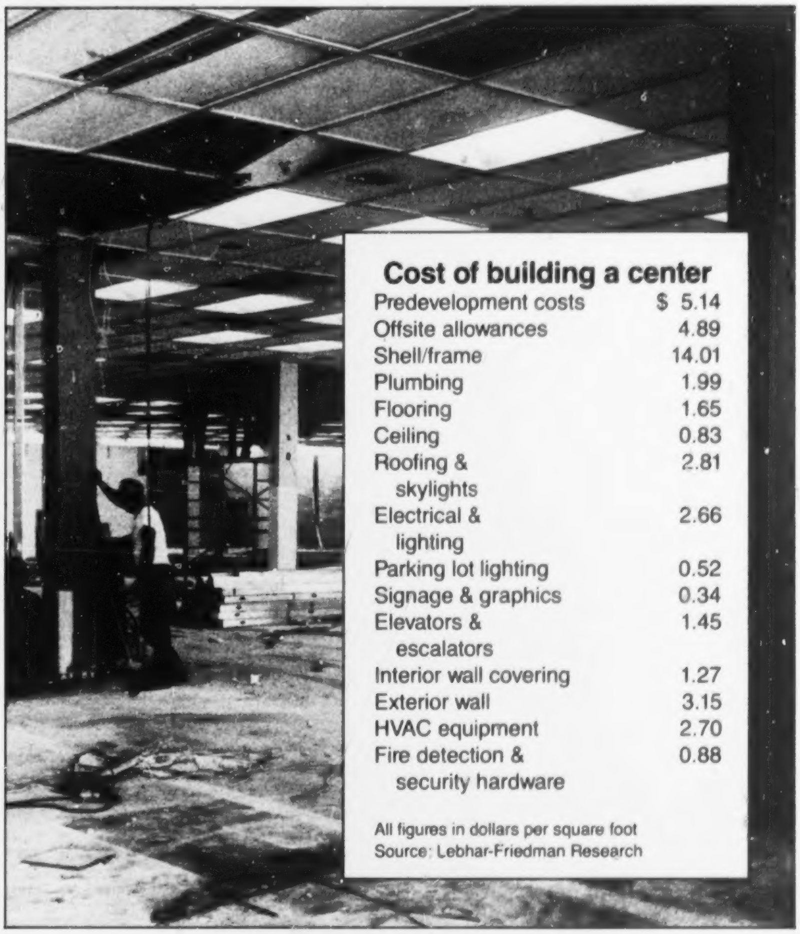
Savings were realized in three ways. First, the developer did not have to excavate and transport some 15,000 cu. yd. of in-place soil—which would have cost about $75,000, says Sieminski.

Then, of course, soil-cement is less costly than asphalt, a petroleum-based product that has perhaps increased at a faster rate than other construction materials. And thirdly, it is possible to use a thinner wearing course, or top layer, when soil-cement is used underneath instead of asphalt.

"When you add up the last two factors," says Sieminski, "it amounts to a 10% to 40% savings, as against comparably strong specifications. In the King of Prussia project, that translated into a savings of about $105,000, or 20%."

Certainly, there are situations where the use of soil cement does not translate into savings. Sometimes it costs as much to create the soil-cement mixture as it would to excavate and employ asphalt for both the base course and the wearing course.

But Kravco is not the only developer that has benefited from the soil-cement approach. The Rouse Co. also used it, in its Baltimore-area White Marsh Mall, and saved enough to want to repeat the process in a new Burlington, Vt., shopping center.



Cost of building a center

Predevelopment costs	$ 5.14
Offsite allowances	4.89
Shell/frame	14.01
Plumbing	1.99
Flooring	1.65
Ceiling	0.83
Roofing & skylights	2.81
Electrical & lighting	2.66
Parking lot lighting	0.52
Signage & graphics	0.34
Elevators & escalators	1.45
Interior wall covering	1.27
Exterior wall	3.15
HVAC equipment	2.70
Fire detection & security hardware	0.88

All figures in dollars per square foot
Source: Lebhar-Friedman Research

In renovating a south Florida project, New York-based Equity Properties and Development had to create a terraced landscape in order to satisfy community authorities.

Off-site improvements are those considered necessary to facilitate the development of the mall, but not situated on mall property. Water lines, traffic signal networks, roadways and even bus stops may have to be altered at the expense of the developer.

Says Cafaro: "These construction costs haven't increased any faster than other construction costs, but as the scope of work increases, on-and-off-site costs become a greater percentage of the overall bill. The same 500,000-sq.-ft. mall that required $3 million in on-and-off-site costs in the past now requires four or five times as much money."

Land is generally considered separately from hard and soft cost computations, but the increasing scarcity of viable sites mentioned by Cafaro is rendering those that are left much more valuable. According to one developer, Urban Investment and Development Co., this will be especially true of land immediately surrounding existing centers.

Oscar Reid, senior vp of the Chicago-area firm, points to a number of factors that, he says, support this phenomenon. They include the lack of other available sites, existing population concentrations, expanded road networks, established traffic-pulling power and existing zoning accommodations.

"That's why we are seeing expansion of existing centers," says Reid, "including the addition of major department stores and provision for other retail facilities."

Increasingly, developers have been reversing their headlong rush into the suburbs, and reconsidering downtown hubs as viable shopping center sites. What they are up against, in prime urban territory, are the highest of land costs.

"Current urban retail rent ranges anywhere between $10 and $500 a square foot," says Michael Hirschfeld, chairman of New York-based Garrick-Aug Associates, an urban site selection consultant. "They're asking $500 at Fifth Avenue and 54th Street in Manhattan."

Nevertheless, the pace of urban development is accelerating. "While there is currently over 3 million sq. ft. of retail space in Manhattan," says Hirschfeld, "there are plans being drawn and buildings under construction that will result in over 1 million sq. ft. added in the next two to four years."

In northeast Washington, Hechinger Enterprises has built what it calls "one of the largest urban shopping centers located in the residential area of any United States city." The $13 million project was partially financed with a $3.25 million Federal grant obtained under the Urban Development Action Grant (UDAG) program. The result: a 212,000-sq.-ft. shopping center, with a 62,000-sq.-ft. Safeway superstore, a 60,000-sq.-ft. Hechinger home center and a 10,000-sq.-ft. Peoples Drug outlet to anchor it.

The UDAG approach is also being used in Chicago, where Sy Taxman & Associates is gaining a name for itself by developing neighborhood shopping centers in city neighborhoods. Until recently, Taxman was exclusively devoted to middle markets, mostly in the Chicago area; now, he has shifted gears and directed all his resources toward city developments.

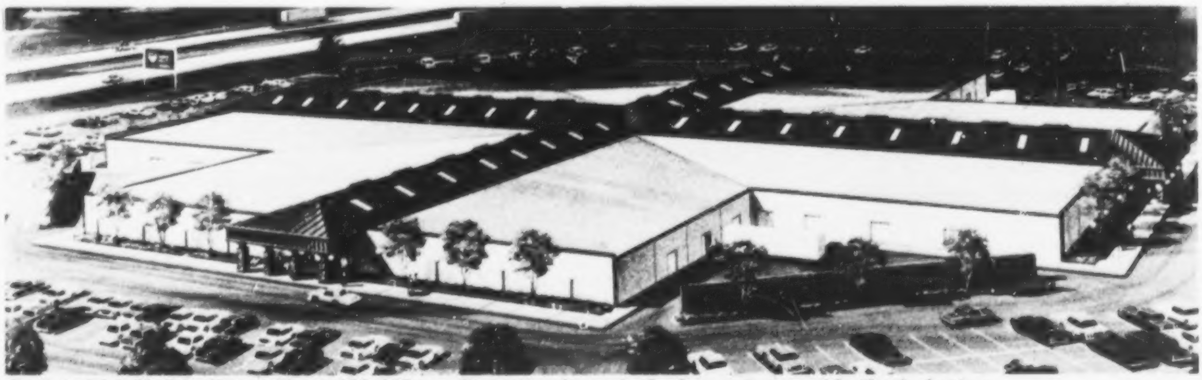
In the last couple of years, Taxman has presented the city of Chicago with more than a dozen neighborhood center proposals. In three cases, his requests for UDAG funds have been processed, and two of these grants, worth a total of $2.8 million, are being used as mortgage subsidies in his first two projects.

Taxman's first project, Kedzie Plaza, was completed in June. Construction of his second, dubbed East Side Plaza, began a few months ago.

The key to many instances of inner-city development, whether aided by UDAG or not, lies in return on investment and how that shapes a developer's debt structure. In a suburban shopping center, it may take longer to build volume, and so it is necessary to obtain financing for longer periods of time. This means a larger interest expense burden.

In urban projects, however, customer traffic is already available and volume can build more quickly. As a result, debt can be paid off more quickly—and interest expenses do not loom quite so large on the balance sheet. ■

—Michael Friedman



Outlets Ltd. Mall in Knoxville, a 160,000-sq.-ft. center, is part of a key movement in the industry.

Trend shifts from traditional malls

In the past, the leasing department at a women's apparel chain generally looked to the big regional malls whenever it wanted to open a new outlet.

That's because this large chain could do between $1 million and $1.2 million annually in a shopping center, and it saw an advantage in associating with department stores.

Freestanding stores tend to 'freeze out' would-be competitors

Today, that same apparel chain is eying strip centers anchored by discount stores and moving away from the big malls because occupancy costs are too high there.

Says Bernard Grossman, an International Council of Shopping Centers trustee and president of the New York-based Grossman-Haft Realty:

"At the strip center, this retailer is getting a complete store built, a chance to transact an acceptable volume, a reasonable rent and the opportunity to escape from large fringe charges. I think we'll be seeing a lot more of that."

As Grossman sees it, strip center tenants are better off realizing a decent profit on gross sales of $600,000 than they are in making no profit on a $1 million volume. But if the strip center is a good one, a 5,000-sq.-ft. specialty store can be a $1 million store with "a substantial bottom line," he adds.

"Developers and lenders are behaving like the auto industry a few years ago, which continued to build big cars when their customers could only afford smaller ones," continues Grossman.

"Unless stores are designed and built to rent at occupancy costs which tenants can pay and still make a profit on sales, they will surely stop locating in the regional mall and find other places for the additional volume they need."

While there may be some shift among chains to down-sized regionals or strip centers, still other retailers are looking increasingly to freestanding locations.

A prime example of this trend is Rite Aid Corp., the Shiremanstown, Pa.-based drug store chain with more than 900 stores in 17 states. Rite Aid now has about 43 freestanding outlets, and indications are that these kinds of units will assume even greater importance in the years ahead.

Jack Eckerd Corp., the Clearwater, Fla., drug store company with about 1,100 stores, is another chain with a renewed interest in freestanding units.

Comments Stewart Turley, Jack Eckerd's chairman and president:

"Shopping center development is lagging and we think that it will continue to lag. We'll be opening more freestanding drug stores in 1982. In that way, we can fill a market niche without requiring a developer—or a large tract of land."

In addition, freestanding stores

Tenant profiles of three types of centers

Type of store	Under 100,000 sq. ft. GLA	100,001 to 500,000 sq. ft. GLA	Over 500,000 sq. ft. GLA
General merchandise*	1.8%	33.1%	57.1%
Variety	2.7	3.5	3.4
Catalog showrooms	1.9	1.2	0.8
Supermarket	35.7	14.6	1.9
Drug	9.8	6.1	2.3
Women's apparel	3.1	4.7	6.1
Men's apparel	2.3	2.4	3.1
Other apparel	2.6	3.8	2.2
Shoe	1.9	3.1	4.8
Jewelry	1.6	1.7	1.7
Card & gift	1.7	1.8	2.2
Appliance/audio	2.9	2.0	1.2
Books/stationery	2.8	2.1	1.1
Service shops	7.1	1.9	1.5
Recreation & entertainment	3.3	3.2	1.6
Fast food	2.5	2.9	1.5
Sit-down restaurant	4.2	4.1	2.7
Other	12.1	7.8	4.8

*Includes department stores, discount stores and similar anchors
Source: Lebhar-Friedman Research

Keeping an eye on tenant sales

Misrepresentation of tenant sales has been on the increase in the last five years, and outside audits are one way landlords can control this problem, a knowledgeable management consultant says.

Kenneth S. Lamy, president of the Gretna, La.-based R. G. Foster Associates Inc., also says that a "right to audit" has been written into shopping center leases for two decades although many owners or developers haven't taken advantage of that provision. R. G. Foster Associates specializes in tenant sales examinations.

According to Lamy, local or "Mom and Pop" chains are often careless with their sales figures, whereas regional or national retailers are much less likely to adjust operating results to their advantage.

But regardless of the retailer's stature or sales volume, Lamy believes that all tenants should be audited—through a well-designed examination program that investigates each retailer at least once every three years.

More specifically, special attention should be devoted to tenants who:

- Are on percentage rents.
- Are within 10%-15% of their breakeven points.
- Report sales considerably below the national average.
- Aren't experiencing reasonable sales increases.
- Have leases that are about to expire.

As Lamy sees it, the examination of tenant sales is an important management device for the landlord. Not only do audits insure the accuracy of retailers' sales reports, but these examinations also help the mall manager evaluate his tenants' strengths and weaknesses.

In addition, audits generally result in increased cash flow and bottom line dollars for the center, and the data obtained in these examinations likewise helps management in its future leasing decisions.

For those mall managers interested in conducting sales examinations, Lamy points out that there are two basic approaches, the internal audit team and the outside firm of specialists.

Internal auditors are advantageous to management because they provide direct control over the sales examinations. However, the cost-effectiveness of an internal audit team can be adversely affected if an owner has tenants in various geographic locations.

By contrast, CPA firms that specialize in retailing and offer fixed prices per audit have "both the necessary expertise and an adequate staff of examiners strategically stationed" throughout te United States and Canada, Lamy says.

He adds that "the utilization of an outside firm of specialists gives owners/developers the ingredients of professional objectivity, significant credibility and independent written opinions upon which reliance may be given."

are advantageous because they allow a chain to enter a densely populated market which is incapable of accommodating a traditional regional center.

Such locations not only provide a convenient outlet for the customers in the surrounding trade area, but they also "freeze out" would-be competitors, retailers say.

Finally, inner cities are high on the list of some chains, even when freestanding spots aren't available.

General Nutrition Corp., the Pittsburgh, Pa.-based health food chain with approximately 900 stores, is but one company involved in this downtown trend, and it recently opened clusters of units in New York City and elsewhere.

Duane Reade, a 21-unit drug chain headquartered in New York, recently opened two more stores in Manhattan and it expects further expansion in that urban area soon.

Besides the movement away from traditional mall locations, other key trends in the leasing area include:

- A continued interest in local ten-

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D. Free distribution by mail, carrier or other means, samples, complimentary and other free copies	29,644	29,380
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ants, who not only help make a mall or shopping center more distinctive but can also produce service and sales figures above the national or regional chains.

- An on-going scramble by lenders, developers and retailers to find new ways to work together. In other words, these three groups are trying to be even more creative in their approach to "creative financing."

As many as 10,000 factory outlets may now be in operation

- In view of the inflationary pressures on land, construction and operating costs, percentage leases are increasingly seen as the best way to calculate rental charges.
- Just as the 1980's demand innovative financial packages, so mall owners and managers are being forced to change the way they market their centers. An upshot of this shift is the expansion of traditional service outlets, such as restaurants and fast-food outlets—as well as the introduction of newer offerings, like banks, dental and optical units.
- The emergence of factory outlet malls, both as from-the-ground-up developments and as a way to rejuvenate older centers that have seen better days.

Of these trends, perhaps the newest—and most interesting—is the proliferation of off-price stores and strip centers.

Although factory outlets have been around for a long time, they've only recently begun to catch on, and estimates are that as many as 10,000 units may now be in operation.

Said to be one of the fastest growing and most profitable of all retail segments, factory outlets can be used to revitalize small centers that have fallen prey to newer and more innovative regional malls.

An example of this form of resuscitation is the 400,000-sq.-ft. Eastgate Mall in Indianapolis, a center that was recently acquired by Melvin Simon & Associates. Rather than operating the development in its traditional form, Eastgate "will be given new life with the introduction of new stores with direct-from-the-factory prices," the developer says.

Grossman: "Developers and lenders are behaving like the auto industry a few years ago."

Another developer interested in off-price retailing is Company Stores Development Corp., a fledgling concern headquartered in Nashville.

The company already has two centers called Outlets Ltd. Malls in Jacksonville, Fla., and Murfreesboro, Tenn., and it recently opened another 160,000-sq.-ft. mall in Knoxville. ■

—Craig Carter

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Shopping centers learn to pinch pennies

The never-ending escalating costs of opening, operating and maintaining shopping centers are forcing mall operations directors to adopt procedures that they would have ignored a few years ago.

Janitorial supplies as well as labor rose 7% this year, compared with a 5% to 6% increase in 1980, says Greg Curtis, property manager, Price Management Inc., Salt Lake City.

Energy is an astronomical bite, says Bruce Andrews, senior center manager, Rosedale Shopping Center, one of the largest centers in the Minneapolis-St. Paul area.

Inflation alone (at current levels) will take the resurfacing (capping) costs of parking lots to near $1 per square foot by the latter part of this decade, says J. Joseph Sanders, founder and president of Certified Sealing Systems, a firm specializing in asphalt maintenance problems. This projection doesn't include the fact that asphalt cement is a derivative of crude oil, a product with obvious alternative uses as a source of energy in an increasingly industrialized world, he adds.

The cost of energy has skyrocketed from 10th place to first place

The implications of even a conservative projection of future costs of asphalt are staggering. Many regional malls have parking lots of up to 4 million sq. ft. Just a few years ago, large lots could be capped for $400,000, but the cost will soon be $4 million or more, Sanders says.

How to cut back? Be a penny-pincher, is the answer of many mall operators. "We've gone to long-life [light] bulbs in the mall area," says Rosedale Center's Andrews. The mall has gone from 150 watts to 75 watts, which gives the same foot candles. Also, management has convinced some of the tenants not to use floods. The new bulbs are expensive, he says, but last about two years. "We used to change bulbs every week. Now we go several weeks at a time without changing them," he adds.

Rosedale is also researching the possibility of retrofitting its parking lot lighting with high-pressure sodium lights.

As noted (*Chain Store Age Executive*, July 1981), high intensity discharge (HID) lighting seems to be the leader when it comes to lighting, but within that category there is a debate. "When all real costs are taken into account, high-pressure sodium virtually always proves to be the most economical light source," says Bill Breining, field service representative of ITT Outdoor Lighting, Southaven, Mass.

However, North American Philips Lighting Corp., which sells both high- and low-pressure lamps, says, "We are completely convinced that the low-pressure sodium lamp is clearly superior for industrial and commercial applications."

Also in the category of energy savings, Andrews says that most Rosedale tenants have agreed to wait until a half hour after they open their doors to consumers before turning on their air-conditioners, and to shut them off a half hour before closing time. This has reduced energy usage by about 45%.

Rosedale Center's Andrews: The new long-life bulbs are expensive, but they last about two years.

A number of mall operators have sought the service of many of the energy management consulting firms that have sprung up during the past five years. Among these are such companies as Viron Corp., North Kansas City, Mo.; Xenergy Inc., Burlington, Mass., and CC

Tenants at Rosedale Shopping Center are curtailing air-conditioner use to cut energy costs.

One enchanted evening

Beyond the drawbridge of the kingdom of Palos Verdes, Calif., within the gardened gates of The Courtyard, a masquerade ball was held to preview the $40 million, 385,000-sq.-ft. shopping complex.

The courtly gala was hosted by reigning sultan Ernest W. Hahn of El Segundo-based Ernest W. Hahn Inc. and his royal highness Ronald M. Florance of Palos Verdes Estates, developers of the three-level center.

The unusual preview was staged to showcase the first regional shopping center to the affluent Palos Verdes community and to benefit the Palos Verdes Community Arts Association, a nonprofit organization dedicated to enhancing the cultural life of the South Bay area. More than $75,000 was raised for the association on this festive night.

On the masquerade ball eve, The Courtyard was unopened and admittance legally forbidden until the following morn at dawn. But, by royal decree, some 3,500 guests appeared, each disguised by a mask and dressed in formal attire or a costume from another century.

By royal decree, 3,500 guests attend the Courtyard gala

Upon entering the kingdom of enchantment, guests were greeted by young storybook characters who distributed solid color half masks to men and sequined and feather masks on sticks to women. A Cinderella coach, regal trumpeteers and a king and queen from the local high school framed the castle-like entrance to the fanciful celebration.

Adding to the sparkle, Olympic Gold Medalist Dorothy Hamill, commissioned by the court along with Richard "Mr. Debonair" Dwyer, performed in disguises as part of an entrancing Ice Capades charade on ice.

A delectable bill of fare was served by such notables from the pages of history as Napoleon, who single-handedly offered grilled ham and cheese croque monsieurs, while Marco Polo, back from his Oriental journeys, provided Peking duck. Even Henry the Eighth carved great barons of beef as Rasputin prepared tiny Russian caviar omelets with sour cream and chives, and Marie Antoinette delighted the masses with her famous cakes.

A bejeweled sultan reigns over the evening's festivities. By day, he is developer Ernest W. Hahn.

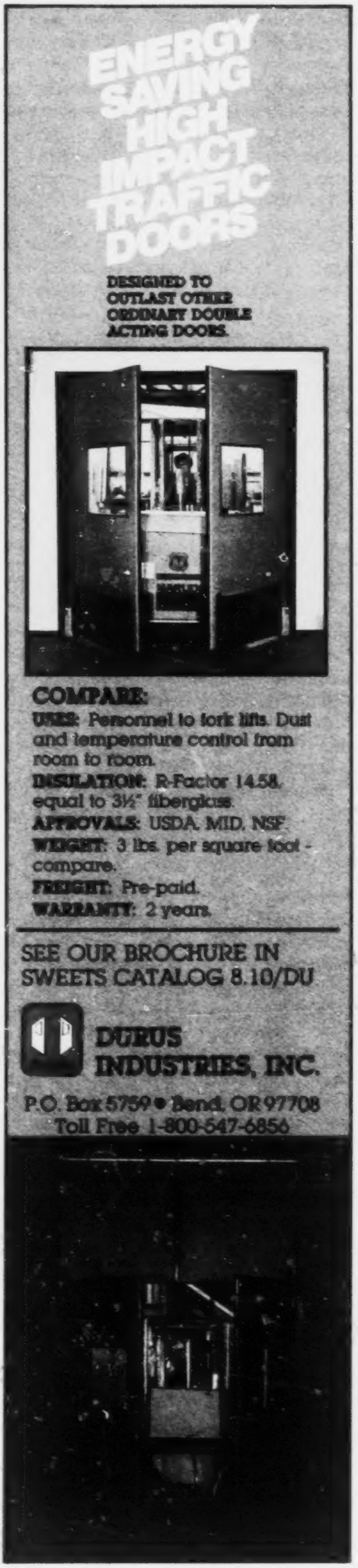
The merriment was further enhanced by the sounds of Ray Mosbay's orchestra on the third level, while strolling violinists, a jazz combo, a flutist, Merlin the Magician and a "Lady Godiva" harpist entertained those strolling the first and second levels.

Three-sided gargoyle-adorned light fixtures, oak benches and the warm salmon and green interior provided the backdrop fit for royalty. The architecture reflects the character of the peninsula south of Los Angeles, with off-white stucco walks and terra cotta colored tiling on the outside and inside walkways forming the background for the $1 million landscaping program.

The Courtyard will also become the home of the $2 million, 450-seat Norris Community Theater, slated to open in 1983, The developers donated the $1 million building shell for the theater, with the Kenneth Norris Foundation pledging $1 million for the interior construction and endowment for the theater.

"The Courtyard, which will serve one of the most affluent trade areas in the state, was developed for a community where the sophisticated shoppers have high standards," Hahn said. The special premiere was designed to be as unique as the neighborhood of the Palos Verdes Peninsula, where residents have a tremendous sense of pride, he said.

As the witching hour neared, the crowds from years past dispersed to make way for the dawn opening celebration and the 20th-century shoppers. ■



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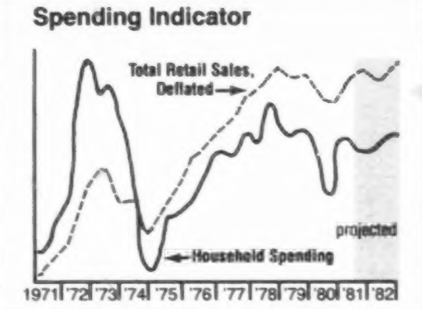
'82 retail sales off to slow start



Total Retail

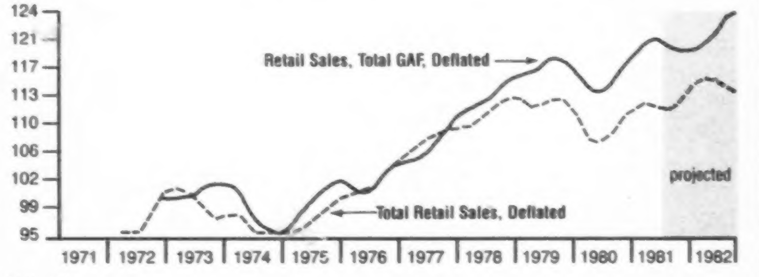
	Sales Change By Quarter								12-Month % Change		
	'81 1Q %	'81 2Q %	'81 3Q %	'81* 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	'80 %	'81 %	'82* %
Sales include inflation	8.9	13.6	10.2	7.4	5.3	3.6	7.0	10.3	6.0	9.0	6.0
Real sales (Deflated)*	0.7	3.6	2.2	0.4	−1.5	0.6	2.2	3.2	−3.0	1.0	1.0

Base = Nov. 1981 Sales
*Projected

Tight-fisted consumer spending patterns (*chart above*) are once again serving as the mirror to the general retail sales trend—indicating clearly that 1982 gains could match, but probably won't outrun 1981 results.

Coupled with the present dip in the spending mood, in fact, general retailing won't begin stepping ahead until midyear, it appears. The good news is that sales should start inching ahead through the next quarter, propelled by strong gusts in several key retail sectors.

The latest figures indicate that fourth quarter results for 1981 were not as poor as previously projected by the L/F computer model. Three months ago, Econocycle forecast a 0.2% fourth quarter increase. Current projections are for a 0.4% gain in the still-to-be-tabulated "golden quarter."



1973 = 100

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	8.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	13.6	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.5	9.7	7.5	8.1	5.1	8.5	9.4	8.3
	4Q*	7.4	8.3	6.6	− 2.0	4.3	3.4	7.9	5.5	5.6
1982	1Q*	5.3	8.1	5.8	− 4,8	4.6	3.0	3.8	3.1	3.2
	2Q*	3.6	8.1	5.3	7.1	4.6	9.5	6.2	2.9	5.0
	3Q*	7.0	8.6	9.3	16.6	6.0	10.9	6.7	7.2	7.9
	4Q*	10.3	9.5	11.3	16.5	6.7	8.8	5.9	10.5	9.1
% change 12 mos.	1980	6.4	10.8	8.7	− 3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.9	9.7	8.7	7.1	8.2	6.4	8.7	8.8	8.2
	1982	6.6	8.6	7.9	8.5	5.5	8.0	5.6	5.9	6.3

Real Sales (Deflated)*
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	0.7	− 1.4	− 2.1	− 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.2	1.4	0.6	0.8	− 1.7	− 0.4	4.1	3.1	2.6
	4Q*	0.4	3.6	− 1.0	− 7.2	− 4.1	− 2.1	4.5	0.4	0.8
1982	1Q*	− 1.5	2.4	− 0.5	− 8.2	− 2.1	− 3.4	0.7	− 1.8	− 1.6
	2Q*	0.6	− 0.6	− 1.3	2.8	− 0.1	1.6	3.2	− 2.2	− 0.3
	3Q*	2.2	− 0.7	2.2	8.8	2.7	2.3	3.8	1.9	2.4
	4Q*	3.2	− 0.6	3.2	6.8	3.4	0.7	2.5	3.5	2.7
% change 12 mos.	1980	− 3.3	3.0	− 0.7	− 12.4	2.5	− 1.4	0.1	− 1.5	− 1.2
	1981	1.7	1.0	− 0.1	− 0.5	− 1.3	0.7	4.7	2.5	2.6
	1982	1.1	0.1	0.9	2.2	1.0	0.3	2.6	0.3	0.8

Base = Nov. 1981 Sales *Projected

The L/F Econocycle projection is for an ongoing decline in sales-velocity through March—roughly 2% down—followed by a sharp upturn with the spring thaws.

Sales should perk noticeably in several key categories, in fact:

- Supermarket/grocery store sales could match 1981 gains during the first quarter and by year-end food volume will again be topping prior-year stats, Econocycle forecasts.
- Apparel specialists and department stores are among the few top industries that will also post first quarter gains of 2% or more.
- Even the food-service group (restaurants, fast-food units) is on a comeback which is expected to gain momentum in the coming second quarter and really pick up speed by mid-1982, the latest figures suggest.

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

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Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

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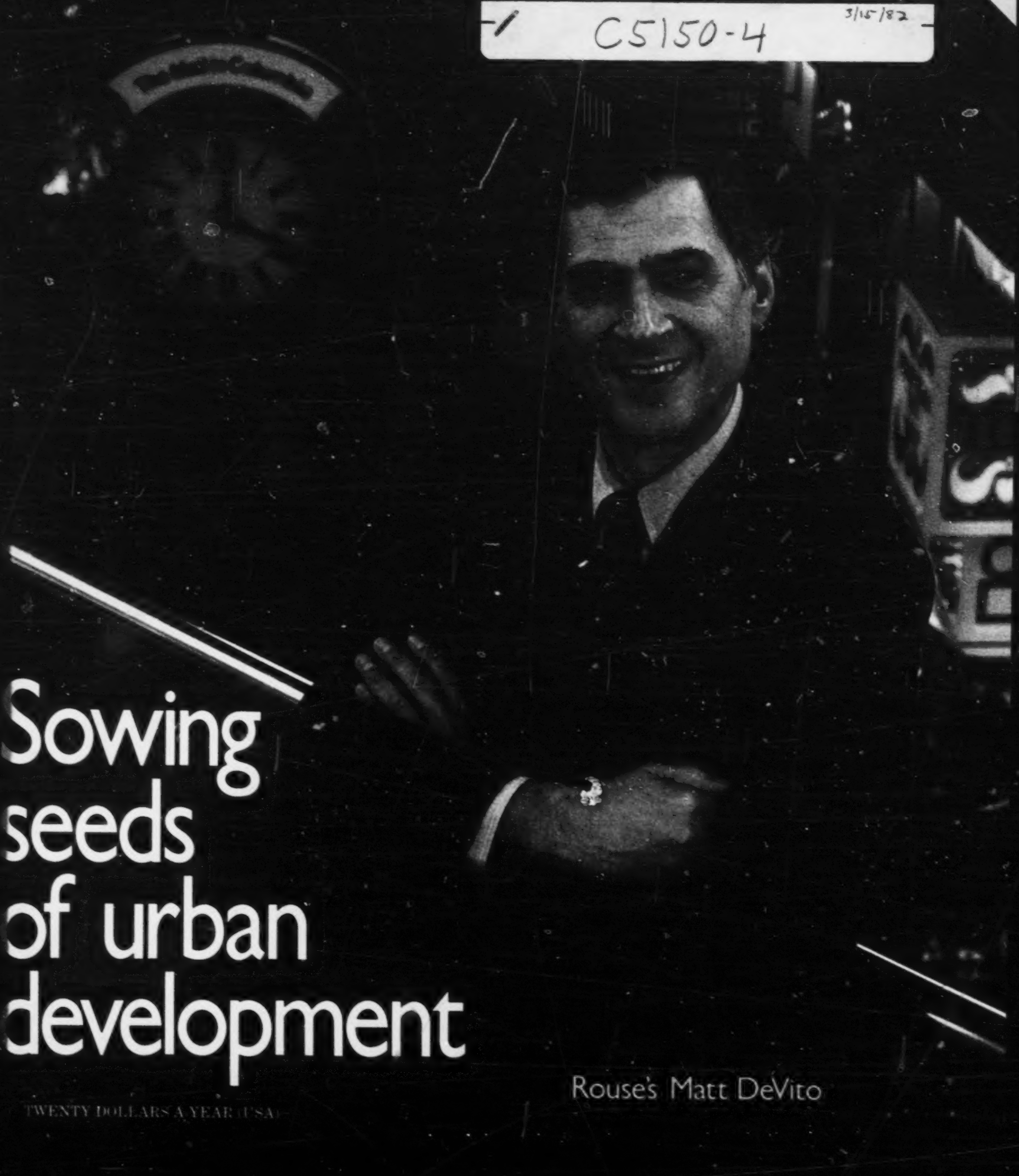

Sowing seeds of urban development

Rouse's Matt DeVito

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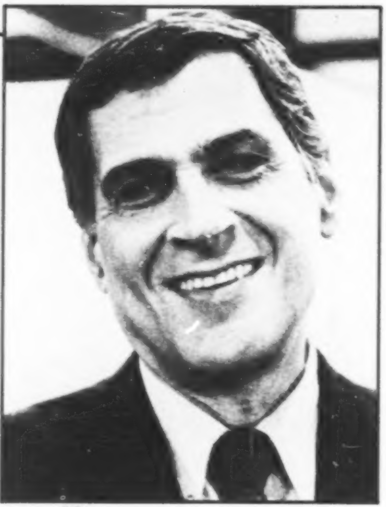
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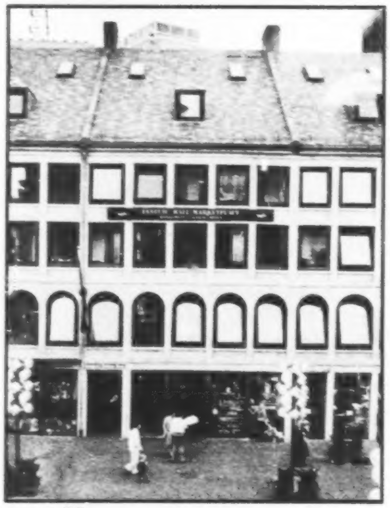
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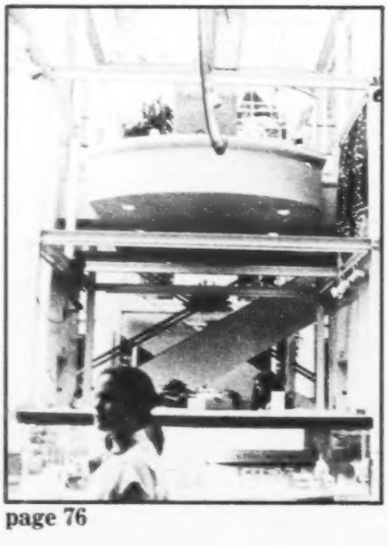
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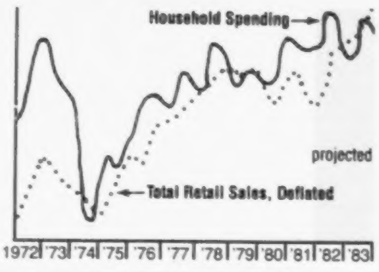
Peg retail ‘turnaround’ to 2nd qtr.

Spending Indicator



Total Retail

	Sales Change By Quarter								12-Month % Change		
	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	'80 %	'81 %	'82* %
Sales include inflation	9.9	12.3	10.2	6.2	3.1	3.8	5.4	7.6	7.5	9.6	5.0
Real sales (Deflated)*	0.4	3.6	2.4	-0.4	-2.4	-0.6	2.5	5.4	-2.7	1.5	1.2

Base = Dec. 1981 Sales
*Projected

After months of nagging pessimism, consumers seem to be more confident about the economy again. But they still aren't ready to shell out hoarded disposable dollars for major purchases any time soon, according to the latest soundings of the Conference Board.

That outlook goes hand-in-glove with current Econocycle projections for general retailing over the next few months.

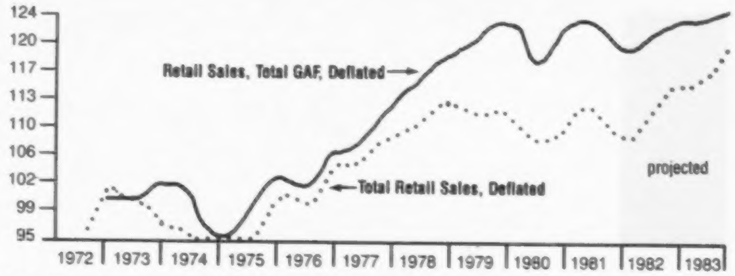
Consumer spending gains will probably be modest at best, the new Conference Board study indicates.

The latest consumer confidence index reading (calculated on a 1969-70 base of 100) moved up to 61.2 in January, a gain of 1.8 points over December levels.

This turnaround attitude hints at an improving economy and mirrors L/F's spending indicator (*above*), which now sees a clear "recovery path" opening up for general retailing in the second quarter and building tempo until year-end.

The L/F Econocycle projection indicates "real" sales will be off 1%-2% next month, roughly half the rate of decline in the first three months of the new year. The overall retail economy should have a healthier glow as sales nose upward through the second quarter, with assists from key retail categories:

- Apparel "specialists," in fact, have already turned the corner on '82 and are heading for increases in the second period. March and April sales in apparel units are pegged for 1% gains.
- The declines by major department and discount stores are slowing and should begin nosing upward and into positive gains by May.



1973 = 100

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	9.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.4	10.0	7.4	8.7	5.0	8.3	9.5	8.2
	4Q	6.2	7.9	9.8	-6.2	5.2	2.5	5.9	5.0	4.6
1982	1Q*	3.1	7.6	8.3	-10.1	5.4	1.3	2.3	2.5	2.2
	2Q*	3.8	7.4	7.6	0.7	5.3	7.5	4.4	2.2	3.8
	3Q*	5.4	8.0	11.4	10.7	6.3	9.3	4.9	6.5	6.7
	4Q*	7.6	9.1	10.9	15.0	6.9	8.1	5.7	10.2	8.8
% change 12 mos.	1980	7.5	10.8	8.7	-3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.6	9.6	9.6	6.0	8.6	6.2	8.1	8.6	8.0
	1982*	5.0	8.0	9.6	3.6	6.0	6.5	4.3	5.4	5.4

Real Sales (Deflated)*
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	0.4	-1.4	-2.1	-1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.4	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.4	1.2	1.1	0.5	-1.1	-0.6	3.9	3.2	2.5
	4Q	-0.4	3.0	1.6	-11.1	-3.9	-3.1	2.6	-0.3	-0.3
1982*	1Q	-2.4	1.9	1.8	-13.1	-2.1	-4.6	-0.8	-2.4	-2.5
	2Q*	-0.6	-1.0	0.9	-2.9	-0.3	0.2	1.3	2.7	-1.2
	3Q*	2.5	-0.9	4.1	3.7	2.1	1.1	2.0	1.3	1.4
	4Q*	5.4	-0.4	3.3	5.5	3.0	0.0	2.2	3.6	2.6
% change 12 mos.	1980	-2.7	3.0	-0.7	-12.4	2.5	-1.4	0.1	-1.5	-1.2
	1981	1.5	0.8	0.6	-1.6	-1.1	0.4	4.2	2.4	2.3
	1982*	1.2	-0.1	2.5	-2.2	0.6	-0.9	1.2	-0.1	0.0

Base = Dec. 1981 Sales *Projected

About Econocycle

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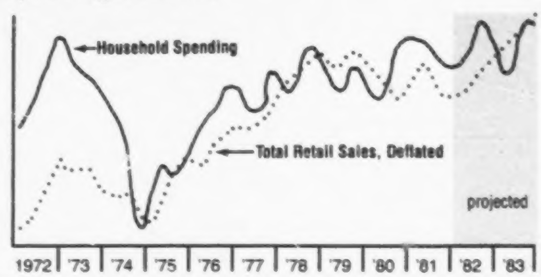
Spending trails retail sales trends

Spending Indicator



Total Retail

	Sales change by quarter								12-month % change		
	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	'80 %	'81 %	'82* %
Sales include inflation	9.9	12.3	10.2	5.5	2.3	2.5	4.1	6.4	7.7	9.4	3.8
Real sales (Deflated)*	0.4	3.6	2.4	−1.1	−3.1	−1.7	1.3	4.6	−2.6	1.3	0.2

Base = Dec. 1981 Sales
*Projected

Even though general retailing is on the comeback trail and is projected to pick up momentum each month through the balance of the year, the L/F spending indicator projects a lower and slower trendline for consumer purchasing through the balance of 1982. Over the next three months, in fact, the spending indicator will continue to slip compared with retail sales trends.

When first-quarter sales are finally tallied, they should show a decline of 3% vs. the same period last year. This figure should be halved in the second quarter, Econocycle projects, as key sectors of the retail economy begin to heat up and post regular sales increases again.

The L/F Econocycle projection indicates "real" sales will be off 2%-plus this month and 1% in May.

Looking ahead to second quarter results, the Econocycle model forecasts sales declines in five-of-the-nine key retail sectors that make up the L/F composite.

- Supermarkets DIY and building supply, general merchandise and discount outlets specifically will show negative results.
- Restaurants, fast food, drug and apparel, on the other hand, should be even or slightly ahead.

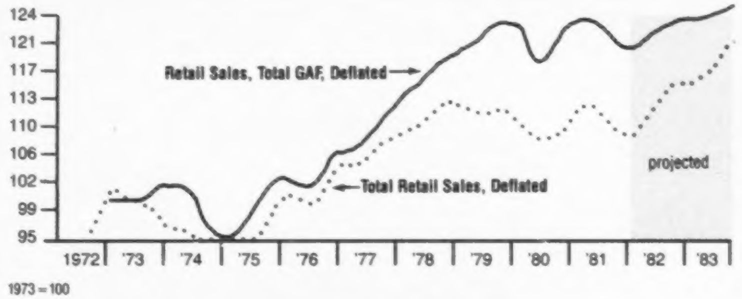
The recovery rate for general retailing will hinge on how well these barometer retail industries react to the spring "thaw" this year and to current economic conditions. Still an uncertain factor will be the size and length of the expected spending spree unleashed by tax rebates this month, most top retailers admit.

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (*above, facing*) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Department of Commerce.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.



1973 = 100

**Sales/Include Inflation
% Change By Quarter**

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	9.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.4	10.0	7.4	8.7	5.0	8.3	9.5	8.2
	4Q	5.5	8.4	8.6	− 4.2	7.0	1.6	4.9	6.3	5.0
1982	1Q*	2.3	7.6	7.2	−10.3	7.1	−0.2	1.2	3.6	2.3
	2Q*	2.5	7.2	6.6	− 0.8	6.7	5.2	3.0	3.3	3.6
	3Q*	4.1	7.7	10.4	8.5	7.4	7.1	3.5	7.5	6.6
	4Q*	6.4	8.4	11.1	10.9	6.4	6.9	4.9	9.9	8.2
% change 12 mos.	1980	7.7	10.8	8.7	− 3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.4	9.7	9.3	6.5	9.0	5.9	7.9	9.0	8.1
	1982*	3.8	7.7	8.9	1.7	6.9	4.7	3.1	6.1	5.2

**Real Sales (Deflated)*
% Change By Quarter**

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	0.4	− 1.4	− 2.1	− 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.4	1.2	1.1	0.5	− 1.1	−0.6	3.9	3.2	2.5
	4Q	− 1.1	3.6	0.5	− 9.3	− 2.4	−3.8	1.7	0.9	0.1
1982*	1Q*	− 3.1	2.5	0.9	−13.0	− 0.8	−5.6	−1.9	− 1.2	− 2.3
	2Q*	− 1.7	− 0.4	0.1	− 4.0	0.7	−1.2	—	− 1.2	− 1.0
	3Q*	1.3	− 0.2	3.4	2.2	2.5	−0.3	0.6	2.8	1.7
	4Q*	4.6	− 0.2	3.7	2.1	2.4	0.8	1.4	3.9	2.4
% change 12 mos.	1980	− 2.6	3.0	− 0.7	−12.4	2.5	−1.4	0.1	− 1.5	− 1.2
	1981	1.3	0.9	0.4	− 1.1	− 0.8	0.2	4.0	2.7	2.4
	1982*	0.2	0.4	2.0	− 3.5	1.3	−2.0	—	1.1	0.2

Base = Dec. 1981 Sales   *Projected

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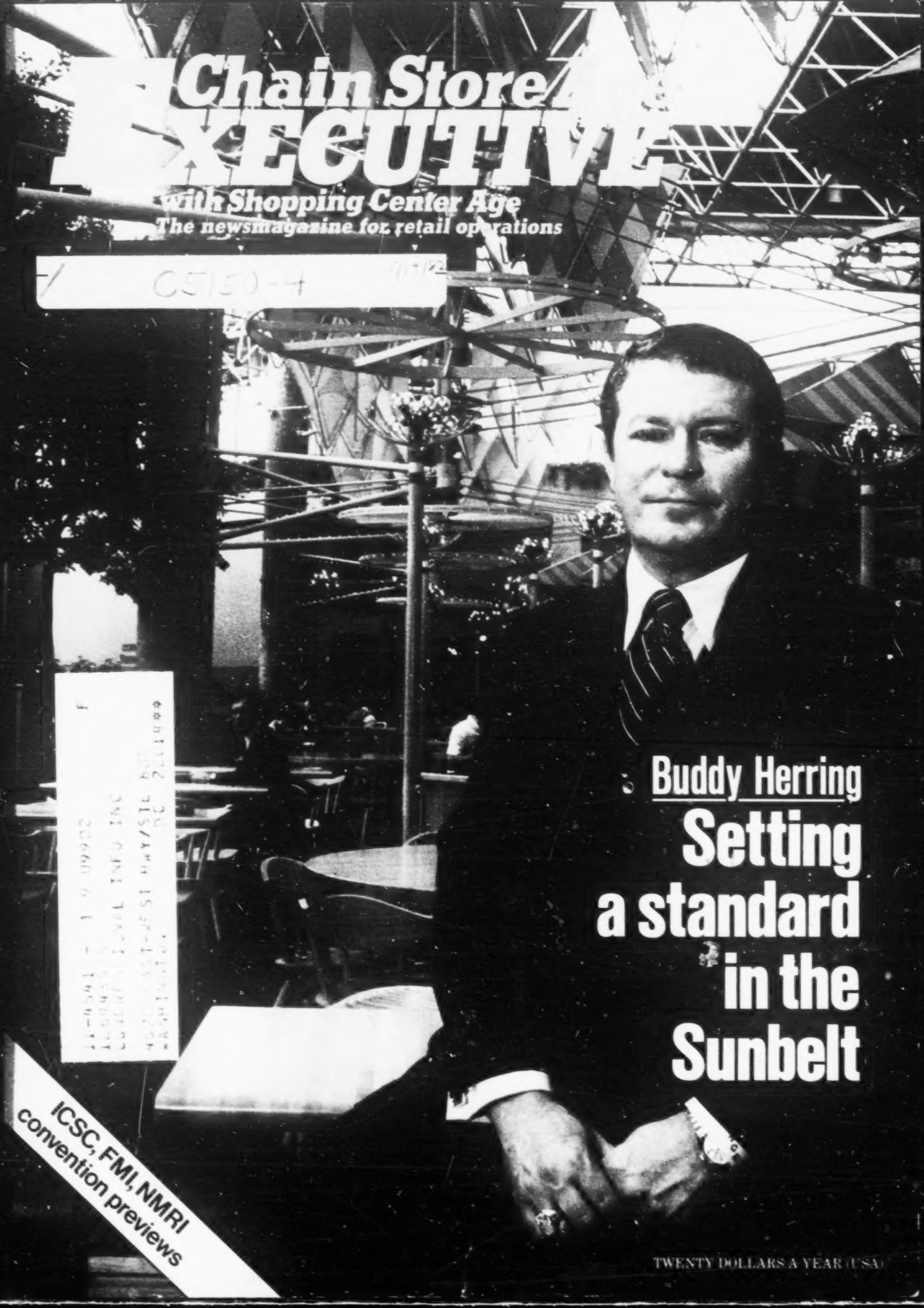

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Buddy Herring

Setting a standard in the Sunbelt

ICSC, FMI, NMRI convention previews

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CONVENTIONS

Discounters seek help from leaders at NMRI

About the best news that will greet discounters attending the National Mass Retailing Institute convention this month is the abatement of inflation.

The convention is being held in the Town & Country Hotel, San Diego, May 15-19.

The discounters have been lambasted by a faltering economy, inflation and rising unemployment throughout the country, but to a worse degree in the Midwest than in other geographic areas.

Reduced inflation would hopefully produce increases in real wages

But during February, the good news was that consumer prices had edged up only 0.2%, or a 2.4% annual rate, sharply down from the double-digit inflation of 1981.

The reasons cited for the consumer price slowdown were the oil glut, which has resulted in a paring of gasoline prices, stabilized mortgage costs and the Federal Reserve Board's right money policy.

But most economists expect that eventually the oil glut will end as the OPEC countries cut back on production, driving gasoline prices back up. Also, they add, when business does start to improve again—possibly later this year—consumer prices again will rise.

Conflicting forces are at work during a recession, says David Taylor, retailing specialist for Bache Halsey Stuart Shields. "You would think people would be more cost-conscious, which would help discounters." But, he adds, the lower- and middle-income customers are hurt the most, and they are the ones who shop most often in discount stores.

To find out what subjects discounters probably will be discussing before, during and after the NMRI convention, *Chain Store Age Executive* asked two prominent industry executives.

Carl Bennett, founder and chairman of Caldor, a unit of Associated Dry Goods, ticks off a list of items, including expenses, operations, the economy, competition and tight money. But then, he adds one more word: "Survival."

Caldor is cited by analysts as a prime example of a successful regional chain that has fared well during the recession. One retailer attributes Caldor's success to the fact that it's regional, has updated, well-managed stores and is able to squeeze more stores under its overall advertising umbrella.

The president of another successful discount chain, Jack Shewmaker of Wal-Mart, points out that he and his fellow discounters have a continuing concern about some of the legislative efforts being made in Congress. Shewmaker makes special mention of proposed legislation on retail price maintenance. "There is some indication that the [Reagan] Administration is strongly behind it," says Shewmaker, noting that it would be a return to the old days of Fair Trade. Such legislation would keep discounters from selling certain items below costs, he says.

Within the context of the present economy, he sees the strong getting stronger and the weak getting weaker. A concern for the discounters, he adds, is that there will be more consolidations of chains, and a fallout of some of the weaker ones. "I don't think that's healthy for us," he says.

It's tougher in today's economy than a couple of years ago because of a combination of high interest costs and a lack of growth within the industry.

Wal-Mart registered a 49.7% increase in profits in the year ended Jan. 3, on a 48.8% sales increase. In the fourth quarter, it registered a whopping 56.5% earning increase on a 52% sales increase.

Most observers attribute Wal-Mart's favorable performance in an unfavorable economy to the chain's dominance in all its markets plus the tight control over the business that management exercises.

In contrast, a whole slew of discounters reported disappointing earnings performances in the fiscal fourth quarter of 1981.

K mart, the nation's largest discount chain, said the decline in profits in the fiscal fourth quarter ended Jan. 27, reflected more extensive merchandising programs and aggressive pricing. The chain reported a 12% decline in profits in the fourth quarter on an 18% sales increase. Earnings in the fiscal year declined 16% on a 16% sales increase.

K mart is suffering mostly because of its operations in the Midwest, where 35% to 40% of its sales are generated, says Jeffrey Edelman, first vp-Dean Witter Reynolds.

Shewmaker expressed surprise that K mart admitted in print that part of its problem was its pricing policy.

Retailers, he notes, are overly obsessed with (short-term effects of) sales decreases or increases. "Promotion without regard to whether or not you're buying the sales without balancing in other factors," is wrong, he says. "Such promotions are," he adds, "buying sales at the expense of profits." ■

Discount retailers: Total sales increases

	Caldor	Jamesway	K mart	Target	Venture	Wal-Mart	Woolco	Zayre
1979								
1st qtr.	16.5%	44.6%	15.4%	29.0%	34.4%	42.0%	14.0%	11.0%
2nd qtr.	15.6	54.0	13.4	23.0	41.6	43.0	12.0	9.0
3rd qtr.	17.2	63.3	13.4	26.0	10.0	35.0	10.0	7.0
4th qtr.	21.9	80.5	8.2	30.0	2.5	42.0	9.0	12.0
1980								
1st qtr.	14.8	24.0	14.0	27.0	5.2	32.0	10.5	7.0
2nd qtr.	21.9	20.2	14.2	23.0	1.7	28.0	7.0	7.0
3rd qtr.	16.0	10.3	10.4	25.0	5.9	34.0	7.0	10.0
4th qtr.	19.2	3.5	8.9	23.0	5.4	33.0	7.0	3.0
1981								
1st qtr.	17.0	0.4	11.7	53.0	9.5	38.0	11.0	12.0
2nd qtr.	14.0	9.2	16.0	45.0	10.7	43.0	8.0	14.0
3rd qtr.	20.0	6.7	19.3	31.0	6.8	58.0	4.0	5.0
4th qtr.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Goldman Sachs Research

N/A: Not available

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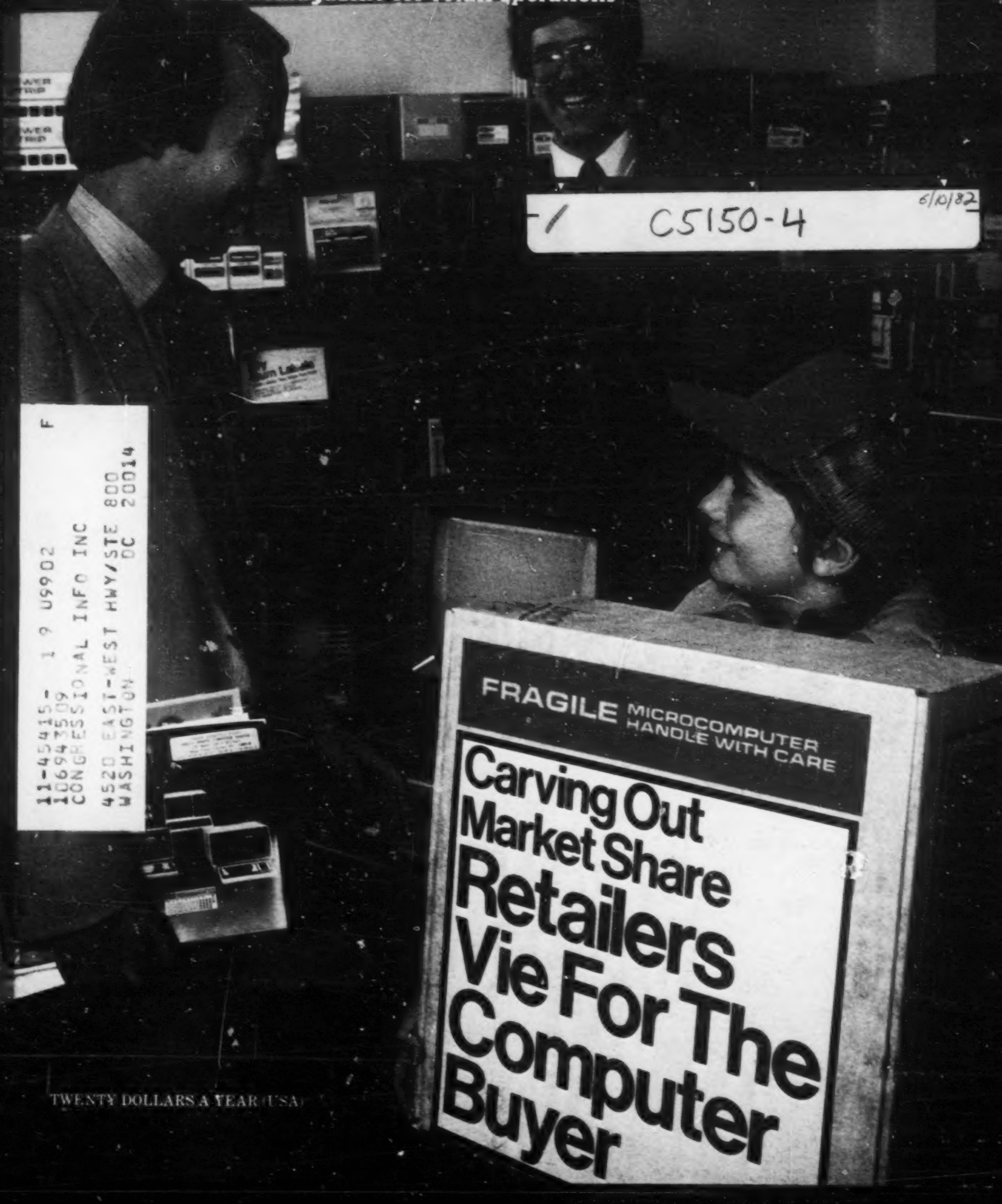
June 1982



FRAGILE MICROCOMPUTER HANDLE WITH CARE

Carving Out Market Share

Retailers Vie For The Computer Buyer

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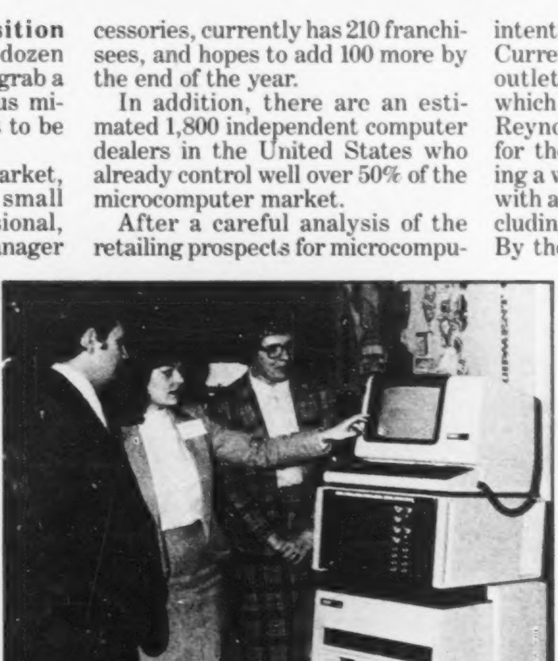
Computer retailing: Chains carve out market share

The jockeying for position among the more than one dozen specialty chains who want to grab a share of the billion-dollar-plus microcomputer market appears to be entering a crucial phase.

This young and dynamic market, primarily targeted to the small businessman, office professional, executive or department manager who wants a small computer to handle business problems for less than $9,000, continues to expand at a rapid and extremely lucrative rate (*Chain Store Age Executive*, June 1981).



Surveys estimate that the computer market will increase 50% this year from its $1 billion 1981 volume.

International Resource Development Inc., a Norwalk, Conn., consulting and research firm, estimates that the market, including sales of computers, add-on products such as printers, and the software disks which program the machine and give it instructions, will increase 50% this year from its $1 billion sales volume of 1981. The research company says only about 10% of the market's potential customers have yet been reached.

Tandy Corp. and ComputerLand are the early chain store leaders in this expanding retail field, which is still less than 10 years old. Tandy has over 280 Computer Center stores which carry microcomputers, software, printers and other add-on computer products, with another 70 stores planned by the end of 1982, as well as nearly 500 Radio Shack stores which have separate computer departments. ComputerLand, a franchise chain based in San Leandro, Calif., which also specializes in computers and computer-related accessories, currently has 210 franchisees, and hopes to add 100 more by the end of the year.

In addition, there are an estimated 1,800 independent computer dealers in the United States who already control well over 50% of the microcomputer market.

After a careful analysis of the retailing prospects for microcomputers and sophisticated office products such as word processors, copiers and typewriters, several of the nation's largest corporations, including IBM, Xerox and Sears, have emphatically decided that they don't want to be left behind.

"If you're going to be viable in this," declares Jim Reynolds, marketing manager for Xerox's retailing division, "you've got to be big. You're going to have to be one of the top three."

It appears that Xerox has every intention of realizing that objective. Currently, there are 46 Xerox retail outlets, called The Xerox Store, which are merchandised to be, in Reynolds' words, "a supermarket for the small businessman," offering a wide variety of office products with an emphasis on computers (including brands other than Xerox). By the end of 1982, Reynolds says Xerox will have about 60 stores open, with plans to open as many as one store a week during 1983 and in following years. Some of these stores may be franchised or joint venture operations, Reynolds states. In addition, he says, by year's end, Xerox would also like to open at least two stores which only sell computers.

Sears, which opened five Business Systems Centers in 1981, plans to have 50 of the stores open by the end of 1982, and at least 200 open by 1987. These retail outlets, similar to The Xerox Stores, offer computers and office products under Sears and other brand names.

IBM's IBM Product Centers also stock a broad assortment of office products and computers, but only offer IBM products. With only 18 stores open to date, IBM is the most cautious of the new retail entries, refusing to project how many stores will be opened in the future.

Digital Equipment Corp. is another computer manufacturer with retail outlets; however, amid industry speculation that the stores have not done well, DEC's store count has held steady at 25.

The remaining regional and national computer store franchise

Training customers (and potential customers) is quickly assuming paramount

chains include the Phoenix-based MicroAge chain, with 31 stores to date and a total of 43 projected by the end of the year; the Byte Shop stores, a California-based company which is reorganizing a fragmented dealership program and launching a national franchise program with 25 stores planned by year's end; the 15-unit Dallas-based CompuShop, currently concentrating its stores in Chicago, Houston and Dallas (with eight more stores planned); the Computer Store chain, Boston-based and concentrated in the Northeast, with 16 units to date and 12 more set for the end of 1982, and California-headquartered On-Line Micro Centers, with 15 stores currently and a total of 37 planned for the end of the year.

Whether these computer retailers are large chains, small franchises or independents, they share a variety of common characteristics and common problems.

Since their average customer is typically the small businessman or office professional, stores selling computers tend to be located near these businesses. The prime location appears to be a 3,000-sq.-ft. strip center store that the businessman can drive up to. However, IBM and Xerox have situated their outlets in downtown business areas and office parks, while Sears is trying to maintain a more "suburban" image, with stores in or near large regional malls.

Computer retailers also face two certainties: their markets will continue to expand, and the prices of the machines they sell will continue to drop. As a result, software is becoming an increasingly significant aspect of their business, especially so because of the high gross margins the products command. In fact, ComputerLand plans to open 25 satellite stores specializing in sales of software and service related accessories.

Service, of course, is a key element that every computer retailer must emphasize. Training customers (and potential customers) has also assumed paramount importance for computer retailers. Nearly every major retailer now has a small classroom or training facility in its store, and some industry analysts predict computer training may spawn a whole new specialized industry.

Salesmen must also be trained to help businessmen solve their problems, and holding on to qualified salesmen is a "major problem" in the industry, according to an industry publication.

Due to the high average ticket in a computer store (an average sale ranges from $3,500 to $5,000), cash flow also appears to be a major problem for stores owned or managed by individuals.

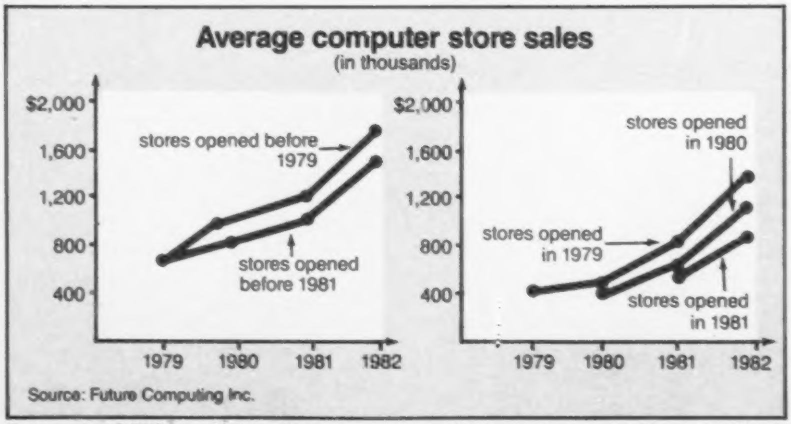
For Tandy Corp., however, cash flow is hardly a problem. During 1981, computer sales amounted to approximately $450 million, or 27% of the corporation's total net sales. Tandy is the acknowledged leader among the computer chains, not only in size, but for its ability to maintain profitability and to sell effectively and consistently.

Portia Isaacson, who heads Future Computing Inc., a market research company based in Dallas, ascribes Tandy's extraordinary success in computer retailing to its experience in consumer electronics, its massive advertising budget, its ability to cultivate prospects and its aggressive, knowledgeable and well-rewarded sales staff.

Ron Stegall, vp for retail computer marketing at Tandy, agrees. "We're trying to take the same philosophy that worked for us in consumer electronics and apply it to this market," Stegall says. Tandy's well-paid sales force and management team, he indicates, is a key element in what he calls Tandy's "aggressive marketing approach."

Tandy is not without its critics, however. Kenn Bosomworth, president of International Resource Development, notes that Tandy is beginning to solve problems he feels it has had with "equipment reliability, software sophistication and maintenance capability."

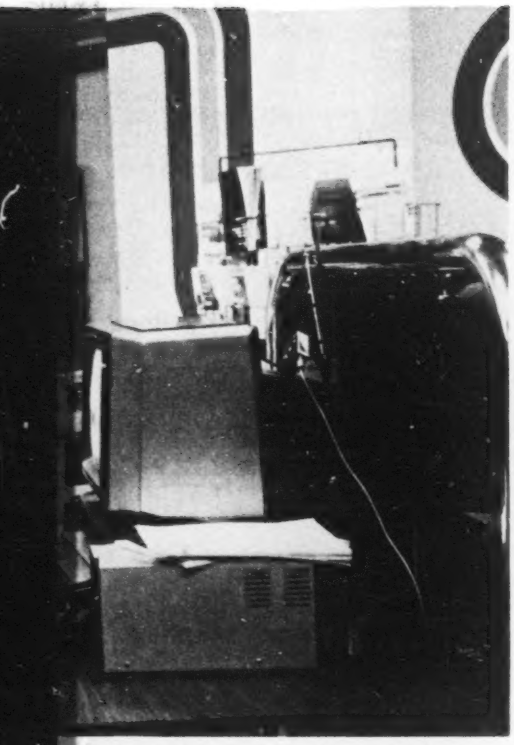
Other industry sources believe



Average computer store sales
(in thousands)

Source: Future Computing Inc.

A survey of 400 locations shows average sales per store growing more than 20% from 1980 to 1981.



Importance for computer retailers.

that Tandy will have to diversify its product mix to avoid being caught in a squeeze from mass merchandisers selling low-end personal computers to the consumer market for less than $200, and more sophisticated high-end dealers catering to the corporate market. Also, these observers feel Tandy will have to broaden its product line to include other than strictly Tandy's own Radio Shack brand in order to satisfy the growing computer market.

Stegall, however, answers that Tandy is strongly emphasizing support functions, and now has repair shops in 80% of Computer Center stores. Tandy is also "trying to expand into the Fortune 1000 and make them aware of our product and services," Stegall says. Regarding the low end of the market, Stegall notes that Tandy is already selling hand-held personal computers and, he says, "it's very hard to see where department stores will be able to underprice us."

Stegall similarly dismisses the notion that Tandy must expand beyond its Radio Shack brand. "That argument has no validity," he says, "it was also used with regard to our audio sales and it didn't hold up there either. We're going to continue to carry Radio Shack exclusively. That's the way you keep gross margin."

"Tandy probably could increase market share if they added other brands," states Ken Waters, vp of development for rival ComputerLand, "but I think they're willing to take a good portion of the market and be satisfied."

ComputerLand, in fact, believes so strongly in the Tandy magic that, according to Waters, "we try to locate close to them wherever we can." ComputerLand and Computer Center stores in close proximity, Waters says, "complement each other very well."

Waters credits ComputerLand's success to date to the quality of the franchise owners, the salespeople it hires, and the numerous computer seminars that the stores offer in their local communities.

Handling rapid sales growth has been the store owners' biggest problem, Waters claims, citing average annual sales figures for 1981 of over $1 million, with gross margins "over 30%."

Others feel that IBM's decision to sell its new microcomputer line through ComputerLand stores last year (Sears' Business Systems Centers are the only other independent outlets carrying IBM products) was a major factor in enabling the chain to maintain its market share.

Waters denies this assertion, stating that while the IBM line was a "real blessing" it accounted for "incremental sales in stores that were already profitable."

ComputerLand's reported merchandising emphasis of the IBM computers, however, is reported to be one reason that Apple Computer Inc. ended its central buying agreement with the chain. Some observers believe the move will hurt ComputerLand, while others, including Xerox's Jim Reynolds, feel that "Apple will be hurt more than ComputerLand."

At present, Sears Business Systems Centers are receiving nothing but favorable reviews. "It's like the old Sears," one businessman says. "The salesmen are top quality, they follow up on every sale, and the service is first rate."

Sales in the first five stores have "greatly exceeded expectations" according to Sears spokesman Jim Podamy and, he says, America's leading retailer perceives a "vast demand" for its newest product offerings.

Xerox and IBM stores, meanwhile, have come under fire for being, in Portia Isaacson's words, "basically manufacturing display rooms and not real retail outlets." ComputerLand's Waters suggests the stores of the two manufacturing giants are being used as "marketing tools" to help promote the manufacturers' products and enhance their image.

Both companies bristle at the charge. Allan Gill, manager of retail operations for IBM, prefers to describe IBM's approach as "retailing in a different manner rather than say it isn't retailing," Xerox's Reynolds admits that the Xerox Stores have a "showroom aspect," but stresses that Xerox is committed to the retailing concept and is currently working on the fourth design change for the Xerox Stores.

Both Xerox and IBM claim their retail units have been highly successful; IBM's Gill says "we try to set aggressive targets and we have met or exceeded those objectives in every case," and Xerox's Reynolds says the sales volume of Xerox Stores is "now two and a half times what it was when we first started two years ago. The real challenge for us is how high is up?"

While Xerox has been criticized for placing too great an emphasis on its own brand, for high prices and for inexperienced salesmen, the burgeoning chain appears to be more aggressive and flexible than IBM. "Xerox has been criticized in the past for not being flexible," says Reynolds, "and we don't want to do that with retail. We're trying to figure out how to support our customers, roll out more stores and still get quality locations and people. We're in this to stay."

Nonetheless, Terence McEvoy, specialty store analyst for Dean Witter Reynolds, describes the impact of Xerox and IBM on the computer retail market so far as "negligible."

Cash flow can be a major problem because of high ticket prices

The bulk of the market is still, in large part, served by independents, and opinion is divided regarding their continuing viability.

Stegall of Tandy says "you've got to believe there's a tremendous fallout coming," while ComputerLand's Waters feels the chain's "major competition will be from an increased number of strong independent dealers."

Such marked difference of opinion helps to illustrate the unpredictable nature of computer retailing. One scenario for the future calls for ultrasegmented retailers who cater to specialized professions, such as the legal, medical, financial or home use fields. But in an industry where applications for the product being sold haven't even been discovered yet, no one can be, or claims to be, too sure of anything. ■

—Charles Paikert

1982 Census Issue

Chain Store Age EXECUTIVE

with Shopping Center Age
The newsmagazine for retail operations
July 1982

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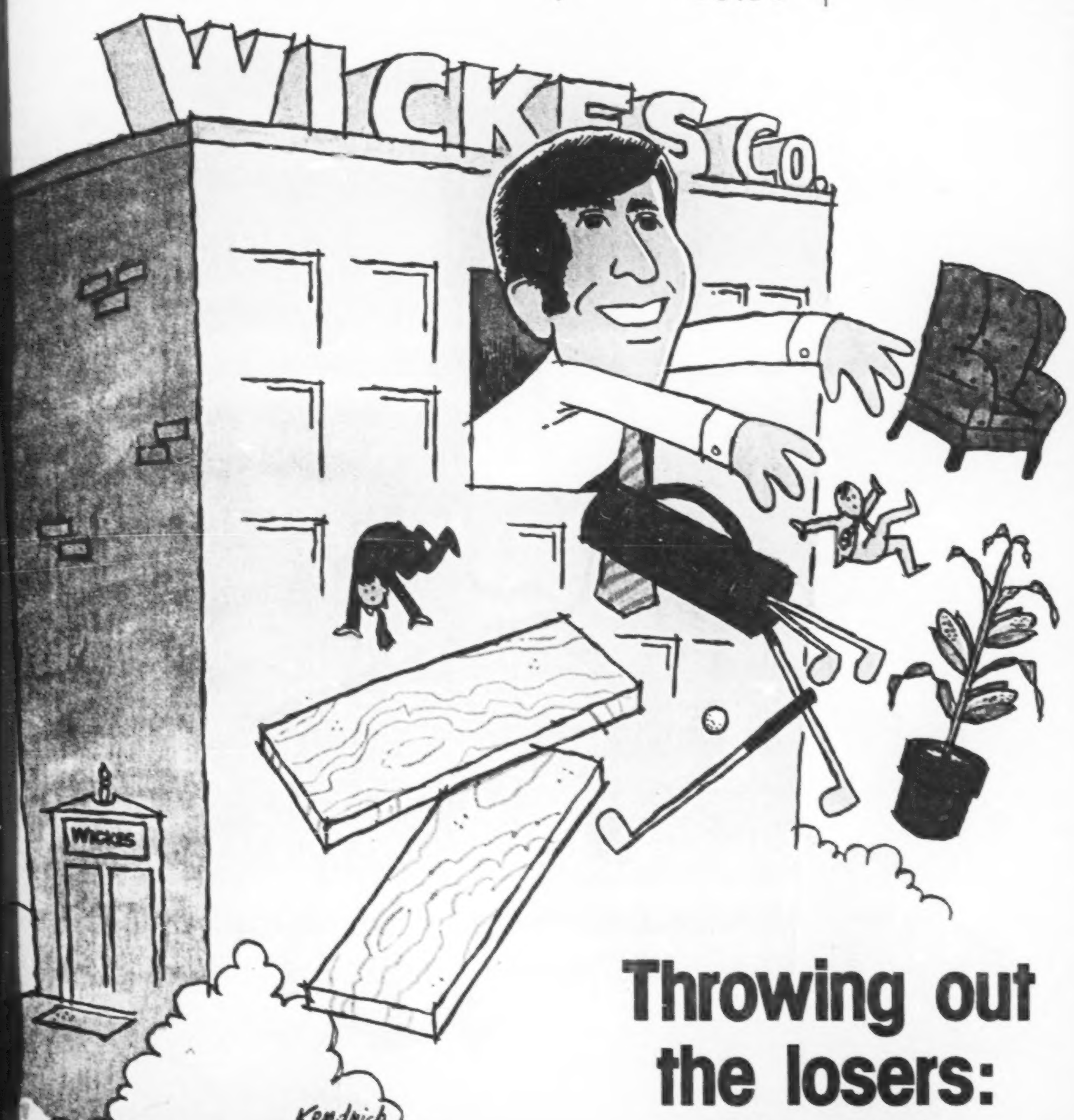
WICKES CO.
WICKES
Kendrick

Throwing out the losers:

Chairman Sigoloff

TWENTY DOLLARS A YEAR (USA)

Chain Store Age
EXECUTIVE
with Shopping Center Age
The newsmagazine for retail operations

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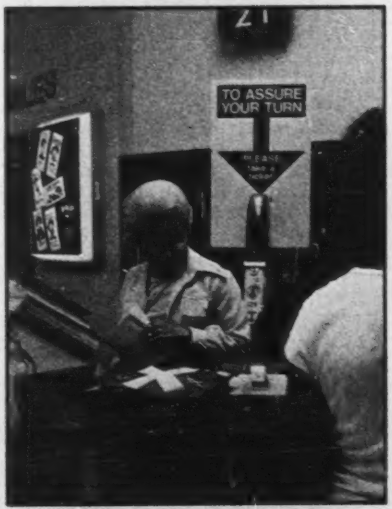

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Mass merchandisers on the move

The Big Three general merchandise catalog chains are on the move. But each is clearly marching to the beat of a different drummer.

Sears, Roebuck & Co., for example, has decided that in financial services, more than in merchandising, is where the future action will be. Accordingly, it has recently acquired both the Dean Witter Reynolds Organization Inc. and Coldwell Banker & Co.

Sears small store concept emphasizes self-service oriented merchandise

Although Edward R. Telling, chairman, speaking at Sears' annual meeting, noted that merchandising "remains our mainstay business," he nonetheless emphasized that Sears also expects to erect "the premier consumer financial institution in America, if not the world."

Montgomery Ward Co., on the other hand, is taking on a task that may be equivalent to reinventing the wheel—attempting to create an entirely new retailing classification.

It is the aim of Stephen L. Pistner, the retailing guru on whom Mobil Corp. has pinned all its hopes for Ward's turnaround, to create a retailing "hybrid." This will, hopefully, combine the operating disciplines of a discount operation with the type of presentation concepts used by specialty stores. How quickly and how effectively this can be carried out, or if it can be done at all, still remains to be seen.

In the meantime, it is the J. C. Penney Co. which, during the past improve the productivity and thereby the profitability of retailing operations by taking a more "fashion-conscious" approach to both the apparel and home furnishings merchandise classifications.

The Big Three have in common the twin problems of store locations where time and traffic patterns have passed them by and of outmoded facilities. Each has tried (and often succeeded) in dealing with these in its own way. But is is Penney that is currently most forthright and comprehensive in describing its solutions.

For example, it has made no secret of the fact that in increasing its 1982 capital expenditures to $325 million from 1981's approximately $208 million, "virtually all of the increase in funds allocated to the modernization of existing stores."

The current strategy appears to be already paying off For example, for the 1982 first quarter ended May 1, the company surprised retail analysts by posting an earnings gain of 4% to $52 million or 73¢ a share, from $50 million or 71¢ a share in 1981's similar period.

During 1982, Penney plans to open 18 full-line and 13 soft-line J. C. Penney stores and 14 drug stores.

Penney isn't alone in continuing with new store openings. Sears too, although heavily involved in building its financial empire, certainly isn't ignoring the growth of its Merchandising Group.

Activities during 1981 and 1982 are a continuation of Sears' five-year plan which calls for the construction of 250 new stores in total, including many representing Sears' small store concept.

Logically, it would seem the highest level of activity in terms of renovations, relocations and store closings should be taking place at Montgomery Ward. After all, for the 52-week period ended Dec. 30, 1981, Ward posted a consolidated net loss of $124 million.

Capital expenditures last year totaled $138 million, but are expected to be below that level this year. During 1981, 13 full-line Ward retail stores were opened, while 35 were closed. ■

CATALOG SALES
TO ASSURE YOUR TURN
PLEASE

Each of the Big Three general merchandise catalog chains is approaching the coming year in a different way.

Variety

Capital expenditure boxscore

Range of existing stores
13,000 sq. ft. to 42,500 sq. ft.

Range of stoes opened in 1981-82
15,000 sq. ft. to 50,000 sq. ft.

Construction cost range (with labor)
$9 to $24.50 per sq. ft.

Industry profiles

The industry profiles provide data on what the various categories in retailing are doing in the way of expansion, and offers a general range of costs for installations of various components. Also, the profiles examine emerging trends in store sizes, formats and locations.

WAL-MART
B
I
G
We Sell For Less

For $7.5 million, Wal-Mart acquired 114 stores in the financially troubled Kuhn's-Big K chain.

Discounters buy rather than build

Discount stores themselves became the object of discount sales this year as the list of 1980's top discounters shrank from 10 to six. Many of the 2,569 stores owned by the four dropouts went on the auction block, and surviving chains found it cheaper to buy and refurbish than to build.

The biggest bargain appeared to be Wal-Mart's purchase of Kuhn's-Big K. For $7.5 million, Wal-Mart acquired all 114 stores in the chain. The purchase of the financially troubled Kuhn's chain allowed Wal-Mart to move into neighboring markets at relatively low capital cost. Says financial vp David Glass, renovation of building and parking lot was $150,000, on the average, or about two-thirds the cost of starting from scratch.

Every major chain is involved in major rollbacks in expansion programs

Many other store chains were involved in expansion through acquisition, though the major chains still were starting stores from scratch. While the suburban market has become largely "mature" there was some movement to smaller markets and larger cities, industry reports say.

While some chains were involved with a "redeployment of assets," others were more inwardly directed. This often meant changing merchandise mix, usually upscale. In the case of some chains, like Woolco, the economic slowdown brought retrenchment in the form of massive store closings.

Nearly every retailer was cutting back some in capital budgets. Despite the fact that Zayre's capital expenditures were up, Zayre illustrates what's happening industrywide. A leading discounter and strong corporate performer, the Massachusetts-based retailer came through the tough 1981 year with a strong overall report. Overall sales were up nearly 13%, and net earnings were up 26%. However, Hershel Denker, assistant to the president, says the discount store sales were "sluggish." While the mass merchandiser was giving a respectable 13.7% increase to capital expenditures, discount divisions were getting only 4.7% more, a decline in real dollars. Plans for Zayre stores, on the discount side, call for 12 to 15 new store openings but three closings in 1982.

Specialty and off-price retailers under the same corporate umbrella as Zayre's discount stores are getting a 12% to 17% increase in their building budgets, after outperforming the retail division by a vast margin. The highly successful T. J. Maxx off-price division will jump from 64 to 84 stores, the company says. They plan "a significantly larger program" for the T. J. Maxx stores in 1983. For Zayre, the company says, there will be a continued program of remodeling.

Zayre's shift to off-price retailing is a microcosm of what's happening in the industry. Bill Klocke, a consultant for Howard Green Associates, sees the "onslaught of the off-price retailers" picking up the discount buyer, and, in some cases, even the discount store. While the modus operandi of the off-pricers used to be to quietly open an outlet in an out-of-the-way spot so as not to offend distributors and other retailers, the off-pricers now are becoming more obstreperous. "Now they're not just operating on the periphery of the area," says Klocke. They're moving into the same markets and stores once owned by the discounters, he says. Recently, the off-pricers have even gathered together to make off-price malls. ■

Discount store

Range of existing large stores
70,000 sq. ft. to 100,00 sq. ft.

Range of large stores opened in 1981-82
70,000 sq. ft. to 100,000 sq. ft.

Range of existing small stores
40,000 sq. ft. to 50,000 sq. ft.

Range of small stores opened in 1981-82
43,000 sq. ft. to 65,000 sq. ft.

Construction cost range (with labor)
$15 to $27 per sq. ft.

DEPARTMENT STORE INDUSTRY PROFILE

Chains shift spending priorities

While new store openings remained unexpectedly plentiful last year, 1982 has shaped up as a year of retrenchment for most major department store chains.

Substantial sums continue to be allocated to capital expenditures, but with a shift in priorities. A greater percentage of these monies is now being devoted to improving the productivity of existing spaces, rather than to investing in new.

Jordan Marsh's expansion pace in the Sunbelt "will continue to be aggressive," according to Allied.

There are, of course, always exceptions to the rule and this year will still see more than a smattering of department store openings. No other corporation is being as aggressive, however, as Federated Department Stores which will be opening 17 new department stores in 1982. It is thus continuing the very ambitious campaign it began in 1981 when it also opened 17 new units.

For most retailers, however, 1982 will go down in history as the year of renovation, and the trend may be just beginning. This is fueled, no doubt, by higher interest rates and therefore greater attention to keeping profitability up by concentration on improving existing spaces.

Carter Hawley Hale Stores, for example, has already embarked on a comprehensive program of store modernization, building upon the "extraordinary assets" which CHH believes its present locations represent. During 1981 the company opened only two new stores.

Another example is at May Department Stores, which openly acknowledges the role remodeling is playing in its five-year expansion plan begun last year. Although this program calls for a total of 25 new store openings through 1985, with a budget of $1 billion, $130 million of this amount has been set aside for the remodeling and reallocation of space at existing stores.

Remodeling is also receiving special attention at Allied Stores, which this year begins its own five-year expansion program with $750 million earmarked for capital expenditures. Major priorities will be "the opening of new stores, especially in our major divisions, to enhance the profitability of the present store base," as well as "the expansion of department stores into new and attractive growth markets." However, also key to the success of the total plan will be "major renovations and modernizations of existing stores," according to Allied's 1981 annual report.

At R. H. Macy, in the annual report for the fiscal year ended Aug. 31, 1981, the company notes, "We will continue to allocate one-third or more of our capital budget to renovations of existing stores, including enlargements, where store performance demands more selling space."

A number of department stores are seeking to carve out positions in new market areas. Bamberger's, for instance, entered the Maryland market in 1981 with new stores in White Marsh and Hunt Valley. Sanger-Harris ventured outside of Texas for the first time last year with a new store in Tucson. And Bullock's has also been on the move with its entry last year into the Las Vegas market. Other examples: Bloomingdale's, which during 1981 opened a new store in King of Prussia, Pa., is backing it up this year with a new store in nearby Willow Grove, Pa.; and I. Magnin, which first entered the Chicago market several years ago, last year opened its third store there.

Allied begins its five-year expansion plan with $750 million

However, it is no surprise that the greatest battle for future market growth will be taking place in the Sunbelt, and specifically in Florida and in Texas. These companies have already made a considerable investment in solidifying their positions in fast-growing California areas.

Fortunate indeed are those department store companies with strong divisions already in place—and they are taking steps to insure that they become even stronger. Thus, Federated is paying close attention to the continuing good health (and expansion prospects) for Florida-based Burdine's and for Texas-based Sanger-Harris and Foley's. About Jordan Marsh and Maas Bros. in the Florida market and Joske's in Texas, Allied reports, "The expansion pace in these states will continue to be aggressive." ■

—Jacquelyn Bivins

Department store

Range of existing large stores	**100,000 sq. ft. to 179,000 sq. ft.**
Range of large stores opened in 1981-82	**100,000 sq. ft. to 170,000 sq. ft.**
Range of existing small stores	**42,500 sq. ft. to 50,000 sq. ft.**
Range of small stores opened in 1981-82	**25,000 sq. ft. to 65,000 sq. ft.**
Construction cost range (with labor)	**$26 to $50 per sq. ft.**

Economy puts damper on building programs

The recession and high interest rates are taking their toll on construction activity in the supermarket industry.

Proposed new store development from the nation's top 100 corporate supermarket chains is being cut back by 40% from last year's levels, according to *Chain Store Age Supermarket's* annual industry census. These chains hope to open approximately 1,180 new units during the next 12 months, compared with the proposed 1,950 new stores they planned to open last year.

In addition, respondents to the *CSA* survey said they planned to build an average of six new stores per chain, down more than 50% from last year's average of 13 new stores per chain.

Yet another indication of the effects of the economic crunch comes from the Food Marketing Institute, the supermarket industry's leading trade association, which reports that 5.5% more stores were closed in 1981 than in 1980, a level which exceeds the 4.7% increase in number of new stores from 1980 to 1981.

"Sometimes it's easier to close a store than to remodel it," notes Milt Herzig, vp-construction and maintenance for First National Supermarkets in Hartford, Conn. "If you're only going to make so much from an existing unit, but it costs you over a half a million dollars to renovate it, then you're worse off than you were before."

Ralph Mehringer, vp-construction for the National Tea Co., parent of the National and Applebaums chains, says that his chain's "new store construction has been cut down substantially. In addition, the dollar level of our expenditures has dropped. One result is that our focus has shifted to remodeling and replacing of equipment."

According to research conducted by *Chain Store Age Executive*, while existing chain supermarkets ranged in size from an average of 22,000-sq.-ft. to 36,000-sq.-ft. stores being built last year are ranging in size from 30,000 sq. ft. to 48,000 sq. ft.

FRUITS & VEGETABLES

The nation's top 100 chains plan to open approximately 1,180 new stores during the next 12 months.

Safeway, the nation's largest food chain, is continuing to emphasize its 35,000-sq.-ft. to 50,000-sq.-ft. superstore, a trend that is prevalent throughout the industry. In fact, 56% of the chain respondents to *CSA*'s survey indicate that their new stores will be superstores.

The small box store appears to be a major format casualty of the last year

Jewel and Kroger, however, plan to continue their emphasis on the 40,000-sq.-ft.-plus combination store, with at least 25% of the space devoted to general merchandise and H&BA items. During the next three years, Jewel plans to increase the number of its combo stores from 85 to 180 through construction, enlargements and conversions, budgeting $340 million in capital expenditures.

Although Kroger is opening 80 to 90 new stores this year, compared with the 111 stores it opened last year, the company has a liberal capital expenditure budget of $740 million earmarked to cover renovation for the next two years.

Supermarkets General, the parent company of the fast-track, Northeast-based Pathmark chain, describes its capital investment program as "aggressive," with $110 million budgeted for 1982, of which 90% is allocated for Pathmark.

Across the country, the small, no-frills "box store" appears to be a major format casualty of the last year. Weston Christopherson, Jewel's ceo, pronounced the Jewel T box stores a "disappointment," citing net losses of nearly $2.5 million.

According to Connie Dickinson, vp for the Allen Levis Organization, a supermarket industry consulting firm, warehouse stores, another innovative format of the late 1970's, have "peaked." Other industry experts disagree, citing pockets of strong market support for the price-oriented bare bones format, but less than 3% of all new stores built in 1982 will be warehouse stores, according to *CSA*'s annual survey. ■

—Charles Paikert

Supermarkets

Capital expenditure boxscore

Range of existing stores
22,000 sq. ft. to 36,000 sq. ft.

Range of stores opened in 1981-82
30,000 sq. ft. to 48,000 sq. ft.

Construction cost range (with labor)
$24 per sq. ft. to $34 per sq. ft.

Bottom line blues checks expansion

Still laboring under the weight of the worst home-building slump in decades, home center retailers managed to keep up 1981 sales increases only through heavy promotion schedules. While retail sales among the top 100 home center chains increased a healthy 12% over 1980 results, according to a *National Home Center News* survey, profits did not keep pace.

One of the most notable victims of the shrinking bottom line was the construction schedule. Last year, the top 100 home center chains (by volume) built only 210 new units—a gain of less than 5% over the 4,284 home centers they operated at the beginning of 1981. In fact, there were only three operations that added 10 or more units in the course of the year.

LUMBER DESK
T
SIDING
TRIM

Handy City, Grace's Atlanta-based division, built seven new units in 1981, bringing its store count to 53.

One of the most aggressive home center builders was W. R. Grace, whose do-it-yourself retail roster includes Angels, Cashway Home Improvement Centers, Channel, Green/Harris, Handy City, Handy Dan and Orchard Supply. Grace, once dedicated to growth through acquisitions, shifted gears in 1981 and constructed 26 new units for a total of 270 at year-end. A large portion of the $44 million earmarked for specialty retail expansion in 1981 was channeled into home center construction.

Another company that expanded aggressively in 1981 was 84 Lumber, the chain known for its bare-bones approach to home center construction. Over the course of the year, 84 Lumber added some 50 new units and became the first building supplies retailer to reach the 350-store mark.

Lowe's of North Wilkesboro, N.C., also made a good showing in 1981. Capital expenditures for the year ended Jan. 31, 1982 were divided between a hefty remodeling slate, which followed a store-a-week pace, and the opening of 10 new units. By year-end, the chain boasted 225 home centers, and plans for fiscal 1983 include about 15 additional openings.

Scotty's, based in Winter Haven, Fla., channeled $15 million into capital expenditures in fiscal 1981, ended June 27, and boosted its roster by eight new units for a total of 83. Since then, the chain has added another store.

Operators seek to minimize overhead without sacrificing sales volume

Payless Cashways, Kansas City, Mo., in a rebound year after net income had fallen off 24% in fiscal 1980, managed to add eight new units (for a total of 86) and still bring its net up 52% to $16.6 million in fiscal 1981. Capital expenditures reached $27.5 for the year ended Nov. 28, 1981, as compared with $19.9 million the year before.

The retail division of Evans Products, Portland, Ore.—which embraces the Alamo, Grossman's, Hubbard & Johnson, Lindsley, Moore's and Steel City—slowed its expansion campaign in 1981. Capital expenditures dropped to $11.6 million from $12.2 million in 1980. Evans built only three new home centers, all under the Lindsley banner, and closed one Moore's unit, for a net gain of two stores and a year-end count of 335.

New stores in the 84 Lumber chain measure approximately 11,250 sq. ft. of selling space, as compared with the former 20,000-sq.-ft. prototype.

Rickel Home Centers, a division of Supermarkets General, continued to build retail units of 45,000 sq. ft., down from its former prototype of 100,000 sq. ft. Rickel, a 100% DIY merchandise-oriented operation, is perhaps the most dramatic example of retail space consolidation in the industry.

But not everybody is cutting down on selling space. Hechinger of Landover, Md., opened four new units last year, for a total of 33.

Central Hardware, Bridgeton, Mo., built two new stores last year in the 45,000- to 60,000-sq.-ft. range.

Another notable exception to the down-sizing rule is The Home Depot, an Atlanta-based chain which brought its store count up to eight units last year with the acquisition of four former Treasury locations. ■

Home center

Capital expenditure boxscore

Range of existing stores
10,000 sq. ft. to 60,000 sq. ft.

Range of stores opened in 1981-82
35,000 sq. ft. to 60,000 sq. ft.

Construction cost range (with labor)
$18 to $32 per sq. ft.

Rx for 1981: Consolidation

Realities of the market dictate building smaller stores with lower sales but improved return on investment.

The drug store industry in 1981 set its sights on acquisitions and remodels—as opposed to new store openings.

The litany of complaints remains the same—high interest rates, lack of attractive sites and the length of time it takes a new store vs. an acquired one to become profitable.

Look beyond the flurry of activity and you see an industry consolidating its efforts. Chains aim for increased market penetration where their presence is being felt and withdraw from regions if the returns aren't readily apparent.

In his speech before the National Association of Chain Drug Stores (NACDS) outgoing chairman Sydney Besthoff III, president of K&B, touched upon some of the gloom and doom evident in 1981. Besthoff said the realities of the market dictated building smaller stores, with lower sales but improved ROI, and that chains should assign remodeling a No. 1 priority.

Chains that did just that in 1981 include Peoples, remodeling 56 stores and opening 16; Thrifty, remodeling 42 and opening 15, and Perry, remodeling 15 and opening five. Rite Aid met its target of refurbishing 10% of its stores each year, with 80 remodels, and its 10% growth goal was met as well, as it opened 88 new sites.

Perry is continuing to convert its conventional 8,000-sq.-ft. to 9,000-sq.-ft. stores to 12,000-sq.-ft. to 14,000-sq.-ft. combination drug/auto/home centers. Capital expenditures for new stores and modernization in 1981 were $2.3 million—with a 35% increase slated for this year.

Spokesman Bernie Thomas says, "Although the initial investment is greater, we have found that after two years our combo stores show a 25% greater volume than our conventional stores." Of the chain's 124 stores, 60 are combo units, with as many as 35 due for a facelift or enlargement in 1982. Thomas says the combo stores have allowed Perry to move into a greater number of freestanding units, instead of being located adjacent to high-volume supermarkets.

Many stores are adding nutrition centers and a variety of health services

While Rite Aid is also increasing its use of freestanding locations, its reasons are different from those of Perry. Chairman Alex Grass disputes the notion of "one-stop shopping" and is staying with the chain's bantam formula of 6,400 sq. ft. Grass says freestanding sites enable Rite Aid to build on as little as two-thirds of an acre of land, with adequate parking.

Rite Aid spent between $28 million to $30 million on capital expenditures in 1981. Says Grass, "You avoid obsolescence if a store is renewed every 10 years."

In order to keep their stores from becoming outmoded, chains in 1981 dipped their feet into areas where they formerly never tread. Nutrition centers have been added to many stores, ranging from 800 sq. ft. to 27 linear feet. Health services—such as optical centers, hearing aid centers and dental clinics—are squeezing their way into space.

Thrifty unveiled a prototype late in 1981 which stresses selling space as opposed to stockroom space. The sales area has been increased from 13,216 sq. ft. to 16,200 sq. ft. The backroom has been cut to 8.3% of total store space, compared with 20% in older stores.

Thrifty also aims to increase profitability by conserving energy in its new stores. Kilowatt hours have been cut by 25% to 30% with a lowered ceiling, the installation of fewer light fixtures, and the lightening of color on walls and floor.

Several other chains have also redecorated. Eckerd Drug is employing a blue and white color scheme featuring metallic and glass fixtures. A 10,000-sq.-ft. experimental Clearwater, Fla., location is used to test ideas, such as a sawtooth-style cosmetics wall, which was dropped in favor of a backbar, flush to the wall.

Both Carl's Drug and Sentry Drug introduced stores with diagonal layouts, with traffic funneled past all major departments. ■

—Abbe Wichman

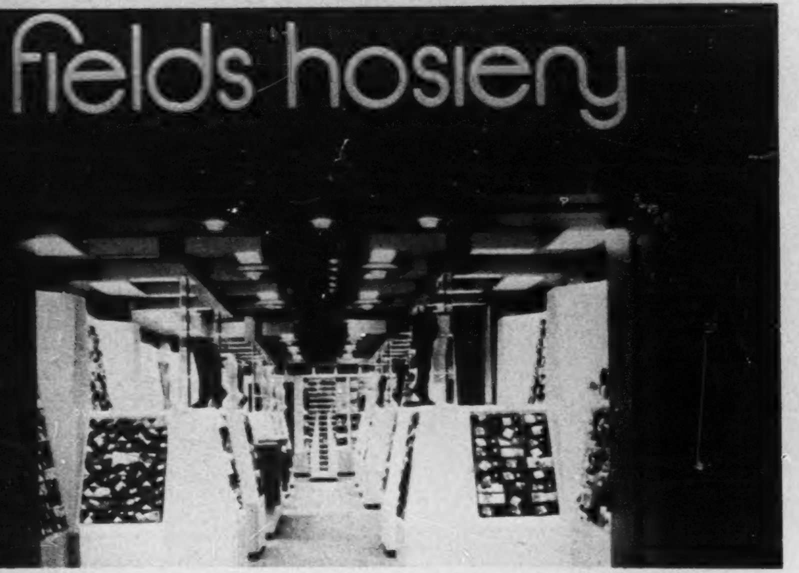
Drug store

Capital expenditure boxscore

Range of existing stores
10,000 sq. ft. to 15,000 sq. ft.

Range of stores opened in 1981-82
9,000 sq. ft. to 13,000 sq. ft.

Construction cost range (with labor)
$14 to $32 per sq. ft.



Fields Hosiery is developing three new prototypes to position itself for anticipated growth in the 1980's.

For store planners, playing a shell game

"Maximizing the cube" has become the new slogan for specialty store planners. The catch phrase refers to the critical importance of developing prototypes that will increase sales per square foot.

Emphasizing design of the cube—the bare shell leased from developers of shopping centers—to generate sales is mandated by:

- Fewer shopping centers are being built as developers slacken their expansion pace in reaction to high interest rates and the cost of borrowing money.
- Specialty retailers have been forced to sign leases for mall space drastically reduced in size and increased in costs.
- New store construction costs continue to rise, although there are signs that the dramatic hikes in recent years have begun leveling off.

The ultimate aim of utilizing retail space efficiently is to boost sales by showing merchandise in the most favorable light, says Matthew Kroin of Planned Expansion Group, White Plains, N.Y.

"The optimum goal is to expose 100% of the merchandise to 100% of the customers," he adds.

Specialty retailers are putting more emphasis on new unit design because "good design can give the retailer a nod over the competition in terms of being tapped for the better locations within a mall," Kroin asserts.

Prefabrication is increasingly playing a role in specialty store construction. Prefabricated elements offer more quality control and faster construction time.

At Docktor Pet Centers, a franchise chain with more than 160 stores in 31 states, mostly in suburban malls, the latest store planning goal is prefabrication of ceilings, floors, walls, plumbing and electrical systems.

Prefabrication "cuts our costs down," says Docktor's Tim Hochuli, real estate director. "We're paying about $40 per square foot construction costs and prefab cuts our costs down because most of the store elements are built outside, shipped in and then merely assembled."

Fields Hosiery, with 39 units in New England, was forced by the flat economy to open only one new unit this year.

"We'd been in the habit of opening four or five stores a year," explains Robert Fields, president. "Last year we added none." The chain, which had $8 million in sales in 1981, has developed three new prototypes to position itself for the anticipated growth in the 1980's. Its most innovative prototype is a kiosk-style arrangement that will be situated in the middle of enclosed shopping malls and take up minimal space.

Adaptability is a key to holding onto and increasing market share

"Those who survive in this business climate will have to squeeze their space to a minimum because the [mall] rents are going out of sight," Fields says.

In the meantime, Fields Hosiery is finding success in downscaling selling space at its existing units. At its North Dartmouth, Mass., store, the 2,000 sq. ft. unit was retrofitted to 900 sq. ft.

Fields continues, "Sales figures are the same yet we're lighting and air-conditioning half the space. We've been able to achieve the goal of putting 10 lb. of horse manure in a 5-lb. bag. That's the goal, right?"

While many specialty stores have chosen to shore up existing units and limit expansion during the current recessionary climate, Radio Shack, the Fort Worth, Tex., division of Tandy Corp., has "no plans to slow down," says F. W. Spieckerman, vp-real estate.

Radio Shack, which has 5,000 company-owned stores and an additional 3,000 dealer/franchise outlets, has a fast track construction schedule calling for it to open approximately 200 new company-owned retail stores and more than 100 Computer Centers in fiscal 1982. Some 300 stores will be remodeled.

—Brad Altman

Specialty

Capital expenditure boxscore (Apparel)

Range of existing stores
2,500 sq. ft. to 6,000 sq. ft.

Range of stores opened in 1981-82
2,900 sq. ft. to 7,500 sq. ft.

Construction cost range (with labor)
$18.30 to $35 per sq. ft.

Good fixtures develop good character

They can provide a drug store with a department store atmosphere or a supermarket with a warehouse feel. They can accommodate an abundance of merchandise or highlight a particular item. They can sport a manufacturer's name or sell a generic line.

Fixtures—they play a key role in stating what type of store a customer is walking into, as well as offering a transformation key when that store wishes to upgrade, or downgrade, its image.

FASHION APPAREL

Discounters like K mart are continuing to upgrade their apparel fixturing, using circular racks and waterfalls.

As retailers experiment with merchandise mixes they are finding it necessary to vary the types of fixtures they place in various departments, moving beyond merely differentiating between hard goods and soft goods.

Drug stores are featuring nutrition centers which imitate GNC's use of bleached blonde wood bins. Discounters are using themes to sell wicker furniture under thatched-wood fixtures. And supermarkets are striking a balance between hanging white fixtures for floral departments in combo stores and heavy shelving units for boxed goods in warehouse stores.

Discounters are continuing the trend of upgrading their apparel fixturing. K mart is making use of circular racks, waterfalls, and its own design fixtures, including a beehive-shaped arch with "fingers" coming out and a three-tiered table with removable shelves for conversion into a waterfall.

Gemco has moved into selling brand name apparel in a separate department, The Outlook. The department is separated from the rest of ladies' wear with five 8-ft. high chrome arches—three of which act as entranceways to the department, the other two hold coordinated mannequins. Waterfall fixtures are fitted on a dividing wall in the rear of the department and use is made of circular floor racks.

Charles Brandfass, Murphy's Mart's director of store planning, says the chain is "moving away from the regimentation of its rack areas." The chain has decreased its use of straight racks in a Baltimore prototype from 80% to less than 40%. Trilevel stands and circular racks have replaced the pipe racks and, as at Gemco, waterfalls protrude from the wall. Brandfass says that Murphy's Mart accomplished two goals with its new fixturing. "We've made better use of space and the fixtures have become less dominant," so it's easier for a customer to spot an item."

In its hard lines departments the chain has gone from 54 in. to 66 in. gondolas. Brandfass says they do try to keep the profile in the front of the store at 54 in. and build from the aisle up. The highest point is reached in Murphy's Mart's cosmetics department, with the use of Noxell's 72-in. fixtures, which Brandfass calls "the focal point of the department."

The cosmetics area in Gemco also underwent a refixturing. The centerpiece of the area is composed of three 10-ft. long, 48-in. high gondolas with black, mirrored and wood-grained accents. The chain has also installed a circle of glass-countered display cases in a serviced area featuring fragrances.

ShopKo's equipment buyer and cost estimator, Phil Smith, compared the cost of fixturing a soft lines area vs. a hard lines area. "If you compare a 4-ft. fixture section in hard lines to a 4-ft. section in soft lines the cost difference would be as great as 200%," Smith says. He explains that wood-based fixtures with glass shelving take up more space and feature less merchandise in an area such as the jewelry department, while ShopKo has added toppers to its larger circular fixtures in apparel for greater merchandise display.

Smith says when the chain remodels, all the wood fixtures are evaluated—especially the jewelry cases. If necessary the cases may be relaminated, at a cost that's approximately 25% less than that of a replacement fixture.

ShopKo is currently spending between $600,000 and $800,000 on fixtures and equipment—with some 80 to 90 different fixtures found in each store. The discounter has pared down the number of custom designed fixtures that it specifies for each unit. Smith says five to six custom fixtures are ordered per store, with the remainder purchased from standard catalog models.

While ShopKo is cutting back on fixturing expenses, Eckerd Drugs

Support systems

Stories in the support systems section of this Census issue examine the latest developments in materials and technologies. The articles also break out the various costs of particular physical support systems by the various retail categories. Because there is a wide spread in some categories, this year the Census issue offers a range of costs, rather than an average.

Eckerd hopes to improve cosmetics sales with the use of chrome fixtures with mirrored backs and plastic trays.

is devoting more money to its efforts—specifically in cosmetics. Mike DiBona, fixturing coordinator for the chain, says Eckerd hopes to improve its sales in the cosmetics department with the use of chrome fixtures with mirrored backs and plastic trays. Each unit is 50 in. high and DiBona says for the same number of linear feet the chrome fixtures cost $300 more than the metal units.

Genovese has opted for the use of three manufacturers' fixtures—Revlon, Max Factor and Noxell—which stand up to 68 in. And Pay Less Drugs has reduced the length of its middle and rear gondolas in order to cut slow movers, speed turnover and improve ROI.

J. C. Penney is another chain which is experimenting with new fixtures as it downsizes its stores. Frank DeSisto, design production manager for Penney, says stores in Atlanta are undergoing an extensive modernization program, which includes the use of new shapes and sizes in fixtures.

In the bath shop, curtains and drapes and promotional areas, Penney has gone from T-frames to glass display fixtures. DeSisto says the chain hopes to add a department store look to the domestics area with the use of less conspicuous fixturing—bringing the merchandise to the front.

DeSisto says both the cosmetics and photography departments are also using full glass showcases for the merchandise. "We are finding these new cases to be extremely flexible, allowing us to have either clear glass doors or solid doors in the back, with open ends for the addition of units," says DeSisto.

In a continued trend to upgrade its apparel image, Penney is weeding out round apparel racks and bringing in smaller waterfall units. DeSisto says Penney wishes to have stronger item identification and the smaller units allow the chain to emphasize one piece or a coordinated outfit.

Ken Walker, of Ken Walker & Associates, New York, says Penney's use of glass showcases has come over from high-end European department stores. Walker says the butted-glass cases, without the metal frame inserts, are "the most cost-effective way to visually present showcased merchandise."

Manufacturers are also trying to offer cost-effective fixturing to supermarkets, noting that they are following the route of discounters by utilizing narrower and higher gondolas, to accommodate a greater number of facings. Jim Swenson, vp of sales for Streater Store Fixtures, says the company entered the grocery field in 1981 by "beefing up the strength of its structural systems and selling extensions to existing systems."

Swenson notes that while many discounters have gone from 4-ft. wide, 5-ft. high gondolas to 3-ft. wide, 6-ft. high units, supermarkets cannot go too narrow with their bases. For that reason the company is offering greater load capacity with its modular systems.

Fixtures

Type of Chain	Range
Supermarket	0.63 to 1.70
Department store	6.00 to 17.00
Discount	0.40 to 3.10
Drug	3.50 to 7.00
Home center	2.25 to 3.30
Apparel	5.50 to 15.00
Specialty (shoes, books, jewelry)	4.00 to 20.00

(All figures in dollars per square foot)

Swenson says it has also designed 10 ft. high gondolas, for use as finger walls or special displays, with no ceiling attachment necessary.

Streater has also entered the home center and hardware store field with its "Kase-Kwik" system. The system offers the ability to convert a display from a security case, bunker or open front showcase. The unit comes equipped with keyed security locks and internal lighting. Swenson says "Kase-Kwik" combines security with eye appeal and offers a retailer the flexibility needed to merchandise a variety of items.

Easy Up Shelving is another manufacturer which is capturing the business of warehouse stores with strengthened fixturing. The company sells 7-ft. units, with the bottom shelf installed 6 in. above the floor, to allow a forklift to stack pallets on the top shelf. Shelves can also be replaced by wire racks as needed.

RTC Industries is also moving into supermarkets. The company produces Mod-u-dump, a bin used for bulk merchandise displays which features the manufacturer's logo on a topper. The bin can be divided into two or four sections and can also be combined with RTC's Rotec to merchandise bulk items and packaged goods on the same display with hook rotors at the top and the bin at the base. ■

Looking beyond the obvious

Decide what your system should do, and then make certain it does it.

That is the advice experts provide in respect to selecting effective and efficient systems for exterior lighting.

Certainly energy conservation is a critical need, but more than energy-savings alone needs to be considered in making outdoor lighting decisions. This often means looking beyond the obvious.

Outdoor lighting should contribute to awareness, attraction, identification and environmental integration.

As an example, John Bachner of the National Lighting Bureau describes a case history of what occurred at the Fairmount Fair Mall in Camillus,N.Y. While a proposed change in the outdoor lighting system initially was thought to require a payback period of longer than 100 years, it, in fact, paid for itself in less than 100 days.

At the mall an outdoor lighting system based on mercury vapors had been in use, at an operating cost of $3,400 per year. There were also numerous reports of cars having been broken into, glare, and complaints from neighbors of spill light.

Here the manager of the Eagan Shopping Centers, DeWitt, N.Y., which owns the mall, stressed that energy-conservation was to play a secondary role to security, customer convenience, mall identification. attraction and image enrichment.

Before any decision was finalized on the proposed system to be installed, a survey was conducted among shoppers to discover their attitudes about outdoor lighting. The information was passed on to application engineers.

What emerged was a $95,000 modification program of the existing system, involving 14 50-ft. poles (down from 18) and using metal halides. This resulted in cutting energy costs to $2,600 per year, for a 24% savings. Still, including installation costs, the payback would have taken 116 years.

However, as the manager of the center pointed out, "the most significant benefit derived from the new lighting system was in terms of security. Soon the mall was able to employ three security people instead of five, for an annual savings of $5,000.

In addition, there was less spill light. The new system also enhanced esthetics, improved the mall's image, and provided more space for parking spots.

The manager also observed that, with the lights installed at a time when expansion of the shopping mall was also taking place, there followed an overall $22 million in sales. Based on customer surveys and other information, management figured out that at least $2.5 million of this increase could be reasonably attributable to the new lighting system. With 6% of tenant sales going to mall management, this amounted to $90,000 per year.

It was further estimated that another $250,000 of this increase went directly to the retailers, for an increase in total net income of $340,000 annually accruing to the use of the new lighting system.

In addition, snow removal was able to proceed more rapidly, benefiting sales. Further, with snow removal costing approximately $100 per hour, this amounted to approximately $7,500 in annual savings.

All this meant energy-savings were in fact the smallest component of the grand total savings of $353,316 attributable to the lighting modification investment. This was comprised of $816 from energy-savings, $5,000 from the reduction in security personnel, $7,500 from faster snow removal, $90,000 from tenant revenues, and $250,000 from the increase in retailers' net income.

Although not all outdoor lighting stories are as dramatic as this one, it illustrates some important points. Careful attention to exterior illumination can make some obvious differences.

As Bachner also comments, "Outdoor lighting should always contribute to awareness, attraction, identification, and environmental integration. It should also create a certain kind of image, let the store or center be known, attract customers to it, and overcome their fear of crime by providing good security light. One really good system can accomplish all of your goals."

Yet, it is no secret that a major goal of outdoor lighting systems, particularly in recent years, is to cut down on overall energy consumption. To this end, Howard Haynes of the Illuminating Engineers Society, recommends beginning by "using the most energy-efficient light source that will get the job done."

Saving energy doesn't end with finding the most efficient light source

According to Haynes, this is actually "low-pressure sodium lamps, but they emit a pure yellow light which makes colors look dramatically different. You wouldn't want to use these where color is important, like in a parking lot."

Haynes says, "The next most efficient light source is high-pressure sodium, which gives off a yellowish white light and this is what is dominating the scene today. This can distinguish colors pretty well and it is well-accepted, particularly because it is so much more efficient than what was already in use." ■

Exterior lighting

Type of Chain	Range
Supermarket	*
Department store	0.15 to 0.50
Discount	0.27 to 0.47
Drug	*
Home center	0.75 to 1.00
Apparel	*
Specialty (shoes, books, jewelry)	*

(All figures in dollars per square foot)

*Not available

Accentuating the POSitive

FMI estimates that by September of this year, 20% of all supermarkets in the country will have scanning installations.

As the use of electronic point-of-sale systems (POS) and scanning becomes more widespread, retailers are beginning to expand and refine the number of applications to which they can apply the reams of data they have accumulated.

In supermarkets, the number of scanning installations increased by more than 2,000 in the last year, according to the Food Marketing Institute (FMI), an industry trade association. At the end of 1981, 14.5% of the supermarket companies surveyed by FMI indicated they were using scanning in all of their checkout lanes. By September of this year, the FMI estimates, 20% of all supermarkets in the country will have scanning installations.

FMI says that 75% of the supermarket chains they surveyed employ at least one person with specific responsibility for analyzing scanning data.

What are these firms doing with their POS data?

In Houston, the 18 store Randall's chain recently completed a test whereby shelf allocation for products was determined solely by scanning data taken from the chain's POS terminals.

Randall's executive vp Bobby Gowens calls the test "an innovation" because it was done solely with POS data, whereas the information formerly was determined by warehouse withdrawal.

Front-end (POS)

Type of Chain	Range
Supermarket	$3,000 to $13,000
Department store	3,000 to 3,500
Discount	4,500 to 9,000
Drug	1,500 to 2,500
Home center	*
Apparel	4,000 to 5,000
Specialty (shoes, books, jewelry)	4,800 to 7,000

(All prices per unit)

*Not available

"We accumulated 17 weeks' worth of information on every scannable item," Gowens states, "and we sent Wetterau [a major food wholesaler] the computer tapes. They, in turn, input the data into their computer system and calculated the end shelf allocation for our stores."

Gowens also reports that Randall's is expanding its use of the special report area of POS. He cites the example of ordering special items for the Christmas season in July. "We get a printout of last Christmas's seasonal items where we list how many units of every item were sold, store by store. The manager of every store then uses this report for his ordering.

"The advantage of having this kind of precise data," Gowens says, "is due to the very limited shelf life the seasonal product has. If you come up short, or if you have too much, then you're stuck, either way."

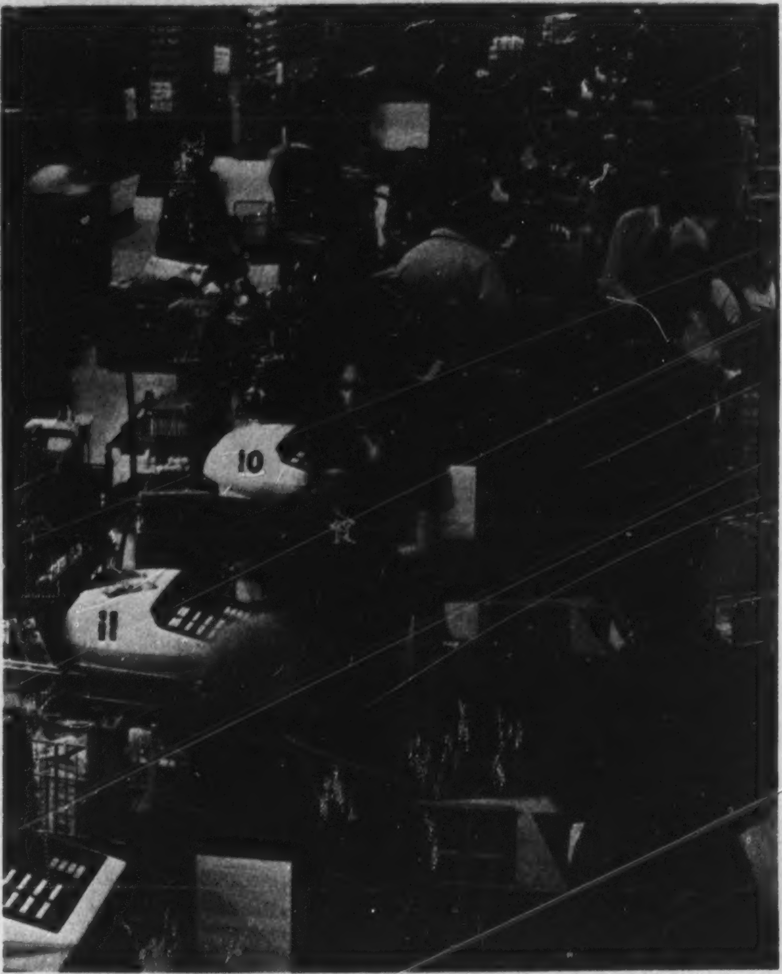
In Minneapolis, at Super Valu, the nation's largest voluntary wholesaler, serving 2,200 stores, over 10% of which are fully equipped with scanning installations, retail systems analyst Ray Ahlgen says the company is "working hardest to help our stores capture what is called the 'soft benefits' of POS data—that is the analysis of the data which will help them with things like item movement, helping them to make better decisions."

Among the different applications that systems specialists like Ahlgren are utilizing are a time-in-attendance application for employees that simplifies payroll accounting and eliminates the need for time cards and "profit management" type systems that analyze shelf space and product mix through sales and profit performance.

Inventory control is another application that is consistently used by retailers throughout the country. It has proven to be a considerable aid in measuring the effect of advertising and promotions, minimizing inventory investment, improving stock turnovers, measuring the effectiveness of displays and recognizing trends in item movement.

Meat department and pharmacy applications are two data areas that are increasing in importance, and another aspect of POS systems attracting increased attention is the ability to monitor checker performance and control front-end shrinkage.

By keeping a comprehensive and accurate record of all sales, POS



POS systems enable retailers to forecast sales and estimate the number of checkers required at given periods.

systems are enabling retailers to forecast sales and calculate the number of checkers required at the front end at a given period of the day to insure a rapid checkout rate. Individual checker's performances can also be monitored to insure that the most productive cashiers are properly scheduled at the appropriate checkout lanes.

Also, an increasing number of retailers such as Jim Stoll, president of Stoll's Foods in New Philadelphia, Ohio, are applying their POS data to help reduce inventory shrinkage. Stoll reports that from 1972 until 1980 losses from shrink represented 0.75% of grocery sales for his chain. After instituting a shrink control program, the Stoll's chain used its POS data and a corporate office computer to monitor cashier performance by tracking such yardsticks as number of customers, number of items sold, average item value, number of items rung manually, number of items scanned, percentage of items rung and scanned and average value of items rung and scanned.

Stoll also stresses that "control of all negative sales items—such as voids, refunds, coupons, bottle refunds—is a must." Stoll's programmed limits on negative sales items such as specific dollar limitations on voids, bottles and coupons and insisted that only a manager's key could override transactions above the negative limits.

As a result of this program, Stoll says, the chain realized a savings of 0.52% for 1981 over 1979, or more than a 50% increase in bottom line from shrink reduction.

Another revolution that's waiting in the wings for the front end is the use of debit cards instead of cash or checks to pay for groceries.

This latest innovation in electronic funds transfer (EFT) is already being used at the Dahl's Food Market chain in Des Moines, Iowa. After a customer's groceries are passed through a scanner, her debit card is slipped through a magnetic strip reader and her identification code is punched into a keypad. Then, in less than 15 seconds, the amount of the purchase is transferred from a personal bank account to the store's bank account.

Harold Coyle, Dahl's chairman, sees the system as an opportunity to greatly reduce the amount of paperwork the chain produces processing bad checks. Ed Beltrame, a Dahl's manager, says the advantage of the system is primarily realized in cash flow. Mitchell St. Thomas, EFT manager for NCR, vendor of the system, cites figures that show the average cost to a supermarket for accepting checks is approximately 35¢ per check. The cost of accepting a debit card, St. Thomas asserts, is approximately 4¢, and, he claims, that cost will probably be assumed entirely by the banks.

Also at the front end, National Semiconductor is reporting positive results for the first year of its "POSitalker" audio device which calls out the price of each item as it's passed over the scanner, as the price is simultaneously displayed. The device is set to be installed in over 100 Jewel Food stores in the Chicago area by the end of the year.

Scanning systems can be used to monitor checker performance and control front-end shrinkage.

Visual display read-out terminals with advertising and promotional messages are also increasing in front-end visibility. ■

Store lighting: The inside story

A critical balancing act is taking place involving interior store lighting.

Retailers are attempting to juggle the twin, and at times opposing, needs for effective store lighting with the mandate to substantially reduce energy costs. Hemmed in also by economical restraints, this is proving to be, at best, a challenging task.

At times during the past several years, it has seemed that the original functions of store lighting were all but forgotten. "Energy conservation" was the call-to-arms and the battle was to cut costs wherever possible. The easiest way to do this was simple: Turn off the lights. It wasn't always a bad solution, either, at least where stores had been overlit in the first place.

For example, as Fod Vick, a lighting consultant, observes, "It used to be that if a store didn't have a standard program of lighting maintenance, architects would design the stores with 20% more lumens than were needed, simply to make up for the dirt factor. But now by building up their maintenance program, these stores are finding they can drop one out of five, and thereby skim 20% quickly off the top." Such a program has already been under way at Sears, Roebuck & Co. with no negative impact reported.

As Frank LaGuisa of General Electric points out, "Good lighting should direct and focus a customer's visual attention; it should allow for a close visual evaluation of the merchandise and speed the buying decision; and lighting can help create an attractive store atmosphere."

Energy management, not energy conservation, is therefore becoming the new guiding rule. As John Bachner of the National Lighting Bureau explains, "With energy conservation, the goal is to consume less energy. With energy management, you have to look at it in a context of other energized systems, of nonenergized systems, and of the people component. You have to realize there are different kinds of dollars involved."

'Good lighting should direct and focus a customer's attention'

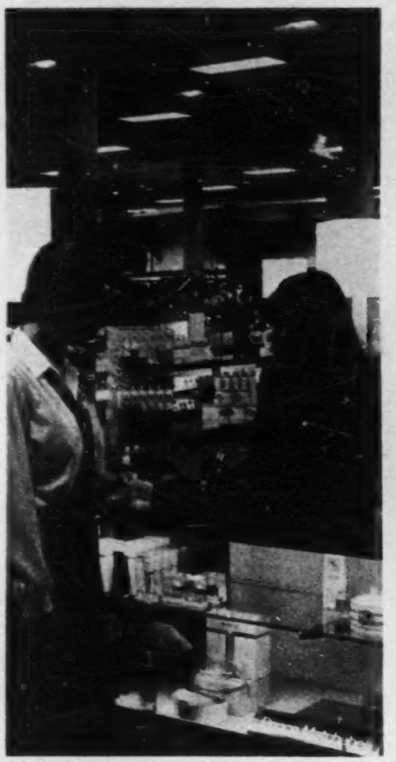
He adds, "The goal of energy management is to maximize return on investment, while still seeking to minimize energy usage. The goal is to look for a more efficient total system."

As an example, Bachner described what happened at Sloan's Supermarkets in New York City when management decided to remove two lamps from most of their four-lamp fluorescent fixtures. They weren't pleased with the results, so, instead, returned to putting four lamps into each fixture. However, instead of using the same 75-watt lamps that had been in use before, they installed high-efficiency 60-watt fluorescent lamps. Energy consumption and costs were still reduced, but it was impossible to readily perceive any difference in light output. At the same time, the store soon experienced a 10% to 15% increase in sales.

Thus, Bachner emphasizes, "In making lighting choices, retailers have to consider what does light do, how valuable is what it does, how would the proposed changes affect this, and what are the bottom line implications? There is a definite link between lighting and retail sales."

What many retailers are looking to as their savior when it comes to effective energy management is a variety of new energy-saving lamps and ballasts that have been introduced by all of the leading lighting equipment manufacturers. As Bert Weller, manager of utilities of Woodward & Lothrop, says, "I believe the new bulbs on the market hold the key to keeping energy costs down."

He reports, "We have been watching the new lights very, very closely and believe there are some significant items, in terms of energy savings, coming on the market. For example, at General Electric, they are testing new metal halides, between 25 to 35 watts. The 25-watt gives off light the equivalent of 75 watts, while the 35-watt reportedly gives off the equivalent of 100- to 120-watts." Woodward & Lothrop is also already using some of the other energy-saving General Electric spots and flood lamps, including those in the Watt-Miser lamp series.



Lighting should speed the buying decision and help create an attractive store atmosphere.

"Another bulb we are using is the Econ-o-watt fluorescent put out by Westinghouse," notes Weller. "We find this has good color and is useful for quite a few display type applications. It is admittedly high in cost, compared, for example, with a GE bulb which is from $5 to $7, and the Westinghouse is $12 or $15. But this is also a 10,000-hour bulb so if you put it where it can be in for quite a while, in terms of longevity you will get your money back." ■

Interior lighting

Type of Chain	Range
Supermarket	0.28 to 1.00
Department store	1.00 to 5.25
Discount	0.45 to 1.05
Drug	0.46 to 3.50
Home center	1.00 to 1.50
Apparel	1.94 to 3.00
Specialty (shoes, books, jewelry)	0.75 to 3.00

(All figures in dollars per square foot)

New trends appearing underfoot

As the construction industry suffers the pain from the slowdown in store starts, another industry is actually benefitting. In 1981 the majority of retailers spent their dollars on remodels, and as they worked their way from the bottom up, one of their first priorities was updating or replacing their floors.

Flooring

Type of Chain	Range
Supermarket	0.48 to 1.00
Department store	1.00 to 2.60
Discount	0.60 to 1.00
Drug	1.00
Home center	0.60 to 1.25
Apparel	1.15 to 3.50
Specialty (shoes, books, jewelry)	1.00 to 4.80

(All figures in dollars per square foot)

While esthetics has not exactly taken a back seat, both maintenance and function are becoming increasingly important—especially as economies dictate what type of floor is installed. But some universal trends are emerging that are setting the tone across all levels of retailing.

One of the prime concerns of retailers in choosing a floor is balancing initial cost vs. the cost of maintenance. The consensus at this time is that retailers are willing to invest more money up front in return for longer wear.

A Du Pont study of carpet life cycles found that store owners expect carpets to last for 7.2 years. Retailers say that is not only the length of time a carpet should last, but it is usually the point at which a store is given a facelift. As styles change and technology offers a greater array of options, retailers are exploring how a floor can be used for more than customer traffic.

Joseph Egan, vp-marketing for Permagrain, says stores such as The May Co. in Palm Springs and Gimbels in Milwaukee are moving away from carpeting in various departments.

Egan says a lineal look is gaining in strength over the use of the alternating patterns found in parquet. "Retailers are looking at ash tones with a uniform grain—softer colors such as blonde looks are also gaining popularity," he says.

Frank Dolan, general sales manager for Azrock Floor Products, says that his company is also trying to increase the life cycle of floors—especially in heavy traffic supermarkets.

The company manufactures vinyl composition tile, which is designed to last between 25 and 35 years. Dolan says, "Not only are we looking to add durability to floors but we are also keeping an eye on ease of maintenance, making sure retailers can use conventional floor cleaners." ■

Thermodynamics in retailing

Turning to a Department of Energy official present for an awards luncheon at his store, a retail executive says, "O.K., we've turned out all the lightbulbs, now what do we do?" The question sounds flippant, but the answer isn't. Store planners and energy coordinators everywhere are asking what to do after energy conservation.

The D.O.E. official's answer is that now is the time to take one more look at the design of buildings. Sealing them with insulation isn't the only way to make buildings more energy efficient. "Until now," says Jean Boulin, a project director for the D.O.E., "we thought of heat as a static thing. Now we're looking at it as a dynamic thing."

The movement has its own identifying buzzword—thermodynamics—the label given to its field of study. Boulin explains that his is the science of what happens to heat in a living, breathing environment—like retail. In this field, "The bottom line will always be to save dollars," says Boulin, who spoke to a group of maintenance workers receiving awards for energy-saving achievements at Washington, D.C.-based Woodward and Lothrop. "For example, lighting might be a drain, but if you need it in your merchandising, it can't go."

Thermodynamics wouldn't deal directly with lighting, but energy specialists point out that heat is a major byproduct of lighting. Engineers are working hard on designs for stores using passive heating and indirect lighting from the sun—again, keeping a close watch on the effects of No. 1, merchandising. A rack of sun-bleached clothing, after all, isn't worth a dime.

Loading docks, store entrances, stairwells all are conduits for heat. Store designers and energy specialists are finding ways of completing the funneling process so the heat doesn't disperse into the atmosphere outside.

Conspicuously absent from Boulin's ambulations through the energy-efficient retail outlet is any mention of computers. A debate festers in retail land over the suitability of computer-based energy management systems for stores. Is the D.O.E. specialist coming down on one side? Not really, he says, explaining that his own research into store design was done on computers. Also, computers "have great potential" for helping energy users in the battle against wasted resources in buildings. ■

Energy management

Type of Chain	Range
Supermarket	*
Department store	*
Discount	0.17 to 0.70
Drug	0.40 to 1.50
Home center	0.10 to 0.28
Apparel	*
Specialty (shoes, books, jewelry)	*

(All figures in dollars per square foot)

*Not available

Shrinkage costs expand in 1981

A cashier runs her forearm over a scanning mechanism—which records the $5 tag she has hidden there, rather than the $20 ham she is packing into a friend's bag. A customer strolls through a store wheeling a baby carriage—but the bundle under the blanket is merchandise, not a child. Your store employs a direct store delivery system and you notice a shortage of certain items, or that price increases are not being kept up-to-date.

These are just some of the many ruses that contribute to shrinkage. In 1981 the bill to retailers, including the cost of the merchandise, loss prevention equipment and prosecution, was up to $24 billion, according to the National Coalition to Prevent Shoplifting (*Chain Store Age Executive*, April 1982). That number represents a 50% increase from the $16 billion recorded in 1980.

As the methods of pilferage grow more sophisticated, security measures in 1981 began to resemble people at a Halloween party—the industry is full of disguises. Shoe stores are using an innocent-looking white sticker which emits a radio frequency when not deactivated by the cashier. Book stores are placing electro-magnetic tags into bindings—enabling them not only to lessen shrink but to return remainders without noticeably marking the books. Department stores employ special fixtures to protect expensive merchandise such as jewelry and handbags.

While reviewing all the gadgets which would make even James Bond envious, retailers agree that they are not in business to catch thieves. Rather, they want to make a person think twice before he commits a crime. To that end they believe effective deterrents are still the best method to prevent shrink.

Security

Type of Chain	Range
Supermarket	0.13 to 0.90
Department store	0.21 to 0.50
Discount	0.70 to 2.20
Drug	0.15 to 0.50
Home center	0.20 to 0.50
Apparel	0.25 to 0.30
Specialty (shoes, books, jewelry)	0.45 to 1.00

(All figures in dollars per square foot)

Prominently placed cameras, signs warning of prosecution and the hiring of security guards serve to ward off external theft. A clear-cut company policy regarding employee pilferage, reward systems for those who report fellow employees found stealing and the use of front-end systems to check cashier performance act to minimize internal losses.

Stan Phelps, director of loss prevention for B. Dalton Bookseller, says the chain is currently testing both Knogo and 3M Systems in high-volume stores in such areas as San Francisco, Atlanta and New York. The test has been in effect for one year and Phelps says, "It's going to take at least a two-year cycle to determine which system is effective for long-term use."

The chain is utilizing its computerized point-of-sale registers to track the per cent and number of voids of cashiers on a weekly and monthly basis. "We've had too many mistakes," says Phelps. "We're currently working on a very costly one that has cost us $7,000."

Supermarkets in 1981 were the testing grounds for many of these new technologies. Both Sensormatic and Checkpoint have introduced security "detectors" which allow a customer to unload her tagged goods before walking through a gate or archway. A tone and a light over the register will indicate that the customer is concealing a tagged item.

Checkpoint's system is used by Giant, ShopRite and Pathmark. The company puts the cost of the system at 4¢ to 4¾¢ a tag, with the archway on each register costing $2,500 to $3,800. Typically only 2% to 3% of all items in a supermarket are tagged—in the high-profit, high-shrink categories of meat, H&BA and dairy.

Typically approximately 30% of all shrink in supermarkets comes from items walking out the door and Checkpoint officials believe the archway represents a one-time expense which should greatly reduce that figure.

Sensormatic's gate unit is currently being tested by Winn-Dixie in one of its Florida stores. The company is starting out by leasing the total system at $85 per month, per system. Sensormatic is targeting a 90% decrease in shoplifting with the Sensorgate.

James Stoll, president of Stoll's Foods, which operates Country Cupboard Stores in central Ohio, also stressed the value of employee cooperation. Stoll has sent a five-page letter to his employees explaining the extent of shrink and how the cost of individual pilferage adds up for the chain. Stoll says the industry figures attribute 50% of shrink to employees, with half of that to customer shoplifting.

While employees are encouraged to be honest, Stoll has gone beyond a letter to insure a decrease in shrink. He employs his E.C.R. and an office computer to monitor cashier performance. Among the criteria Stoll looks at are number of customers, average item value and number of items scanned. He also stresses the importance of keeping an eye on negative sales, which Stoll says are the No. 1 problem.

In addition to monitoring on-the-job performance, many retailers are taking advantage of pre-employment screening. The Reid Report issues 25,000 tests a year, designed to weed out potentially dishonest employees before they are hired. The cost of the test averages $8, vs. $50 for a polygraph.

Although retailers wish they didn't have to resort to security measures ranging from pre-employment tests to customer surveillance, they realize that shrink is not going to vanish, but their merchandise and profits do. ■

Making a clean sweep cheap

Continual attention to interior lighting maintenance plays a major role in energy conservation.

Cutting costs is the key to maintenance these days. While retailers and mall operators don't want to sacrifice that less-than-clean-store look, they also want to save money on their maintenance procedures.

The manufacturers of floor maintenance equipment are answering this need with some innovative and versatile products. Clarke, for instance, a division of McGraw-Edison, has concentrated its research and development efforts in the area of time-saving.

"High speed has really become a big consideration," says Andy Anello, Los Angeles divisional sales manager. "Retailers are really going in the direction of burnish machines, because they can get their floors looking good in a shorter period of time. That saves them labor dollars."

Conventional floor care devices, according to Anello, operate at 175rpm. But Clarke's Model 100 burnisher—introduced about eight months ago—works at 1,000rpm.

Tom Karras, Clarke's San Francisco divisional sales manager, estimates that the Model 100 can cut down on floor care time as much as 35% to 50%. The company is also developing a high-speed scrubber capability for the Model 100, so that the machine will not only scrub, but polish as well. The high-speed scrubber should be available in September, according to Karras.

If labor is one of the biggest expense bugaboos, then detergent is another. According to a spokesman for Tennant, that concern sparked the invention of the 432ES scrubber—a machine that recycles cleaning solution. While the conventional scrubbing machine can operate for about 20 minutes without a change of detergent, the 432ES can keep working for up to two hours without a refill.

Maintenance

Type of Chain	Range
Supermarket	*
Department store	*
Discount	0.14 to 0.22
Drug	*
Home center	0.18 to 0.25
Apparel	*
Specialty (shoes, books, jewelry)	*

(All figures in dollars per square foot)

*Not available

While the equipment is versatile, being able to strip and buff tile or terrazzo surfaces, its real value is its ability to save the retailer money. According to the Tennant spokesman, the machine can decrease detergent costs by nearly half.

Supervac, a division of Schwarze Industries, also had cost-cutting in mind when it developed its latest parking lot maintenance vehicle. According to Bill McClung, Eastern regional marketing director, the top 30 mall developers each subscribes to one or another of Supervac's vacuum-sweep models.

Supervac's newest model is designed to save its user money in two ways. First, the price tag is less, since its engine is smaller (V-6) than those found in earlier models. Since the manufacturer pays less for the smaller engine, it can pass the savings on to the consumer—whether that is a shopping center operator or a maintenance contractor.

In fact, says McClung, the newest Supervac can be leased for $275 a month, as compared with $560 a month for its larger models. And since it also boasts a lightweight aluminum tank, the machine saves its owner money at the gas pump as well.

"Previously," says McClung, "a half-ton Chevy pick-up was the smallest and lightest vehicle available. A one-ton or half-ton truck with a 350 engine got about 10 miles per gallon—but this unit will get about 20 miles per gallon."

Tennant also manufactures an all-surface vehicle for shopping centers. Dubbed the Trail Blazer, it sweeps and vacuums, mulches and compacts, and it can be high-dumped into dumpsters on the shopping center's property.

But chain executives are also looking for ways to cut expenses without buying new equipment, and that's where preventive maintenance comes into play.

In Woodward & Lothrop's energy conservation manual, designed for the use of store managers, operations managers and utilities personnel, management sets forth a maintenance list for its HVAC equipment, based on the philosophy that "preventive maintenance is usually the easiest and cheapest method" of energy conservation.

The condenser tubes in chillers, according to the manual, should be cleaned "at least once per year to remove any accumulated scale, which acts as an insulating material and may reduce efficiency by as much as 25%."

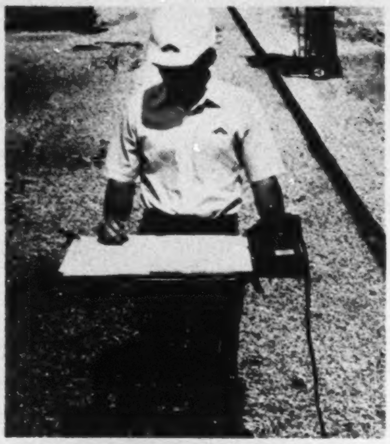
Cooling towers are another key to system efficiency. Broken eliminators and clogged nozzles are common problems. The manual advises that cooling towers should be checked for these conditions, cleaned and repaired at the end of each cooling season.

Air handling unit filters should be checked monthly, and "changed or cleaned whenever air velocity is affected to any appreciable degree." The alternative is reduced operating efficiency throughout the entire heating and cooling system.

Water line insulation is another potential trouble spot. Improper insulation of hot and cold water lines can lead to energy loss—while incomplete or damaged insulation, according to the manual, can cause the wrong areas to be heated or cooled.

Outside air dampers, if they do not close tightly, can become a major source of energy loss. "It is much easier," says the manual, "to reheat or recool air that has already been through the system than outside air, which is usually at a much higher or lower temperature than the inside air." Of course, dampers must also facilitate the usage of outside air for free cooling whenever that is possible—but this must be carefully controlled.

Boiler tubes should be inspected once a year and cleaned as required. Otherwise, the deposits that form on the tubes will act as insulation. The burner, according to Woodward & Lothrop, should be "adjusted to the most efficient flame and stack dampers and other controls properly calibrated."



Chain executives are turning to moisture surveys to monitor the amount of water collecting on roofs.

Air handling unit coils should be cleaned according to a preset schedule, in order to remove deposits which prevent proper heat transfer. Like deposits on boiler tubes and chiller condenser tubes, these deposits tend to act as insulation.

Finally, controls must be checked periodically. "Unless thermostats and other controls operate efficiently," warns the manual, "the entire system will be inefficient." With store managers being the independent people they are, a little education can go a long way in this area.

Ralphs, the Compton, Calif.-based supermarket division of Federated Department Stores, has gone so far as to adapt its preventive maintenance program to a computer software package. The software allows for some 20 major categories, such as refrigeration, HVAC, point-of-sale equipment, doors, meat department machinery and so on.

When maintenance requests are called into Ralphs headquarters, they are entered into a terminal and assigned priorities for work orders. The computer then keeps track of the job, stores the data, monitors completed work and furnishes printed reports on completion dates and the cost of the work. This allows the chain's executives to budget effectively capital expenditures for maintenance programs, as well as keep track of ongoing maintenance efforts.

Nor does preventive maintenance begin and end with HVAC equipment. Smart chain executives have turned, in the last few years, to moisture surveys—which determine the amount of water which has collected on chain store roofs. These surveys usually involve infrared photography or electronic instrumentation.

But the most dependable method of gauging the amount of trapped water is still the mundane approach—cutting a small section in the roofing material at intervals. One chain store engineer cuts about 1 sq. ft. for every 1,000 sq. ft. of roof area, as a rule of thumb.

The biggest complaint among those who have responsibility for roof maintenance, though, is that the likelihood of damage increases in direct proportion to the number of people who have access to the roof. And, ironically, it is not that unusual for a man inspecting or repairing rooftop HVAC equipment to damage the roof while fixing something else. ■

AMERICAN LINCOLN
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Faster speeds of newly designed commercial floor scrubbers minimize labor costs in a store's maintenance program.

Retail art: Signs of the times

Some might call it a sign of the times that T.G. & Y. is starting a move which will put Tomlinson, Goselin and Young's initials into semiretirement.

The chain has chosen "AIM for the Best" as the title for some of its new stores, which shows what's in store for signage art both from a technical and a promotional standpoint.

Right now, the chain still uses the initials of its founders on 934 stores, with only two using the "AIM" moniker. But the Oklahoma-based chain has a plan which will eventually put the bright orange, trapezoidal graphic on many of its new and existing stores.

Aside from the fact it places the Household International subsidiary in a new wave of companies—like Target, Best Products, Federated's Gold Circle—that value theme above atavism in store naming, the company is using a computer and laser method that places them in the vanguard of a new technology. The impact of the campaign, of course, will be measured in sales, and not design awards.

Signage that tells consumers something in simple form about the stores; signage which serves a clear marketing purpose is what retailers can expect to see more of.

In T.G. & Y.'s case, the chain needed the ability to move quickly to place their new logo on hundreds of stores and thousands of signs in those stores. A signposts crew with a set of architect's drawings wouldn't do. So the store planners sought out W. Heath and Co., a Los Angeles-based sign specialist, to lend some high-tech muscle to the age-old art.

Heath punched the trapezoidal AIM for the Best moniker into a computer, changing the alpha letters into digital form and placing them on a computer program using coordinate geometry. The transformation from design architect's drawing to binary computer graphic allows the store planners to retrieve the logo at the push of a button and scale its letters from 2 in. to 70 ft. tall. Computer-directed lasers can then carve the signs from plastic, creating a custom-fitted clone of the original design.

Retailers are moving beyond mere identification markets in signage—taking advantage of simple graphics and bright colors to plant the right marketing image. ■

Signage

Type of Chain	Range
Supermarket	0.30 to 1.50
Department store	0.15 to 0.55
Discount	0.13 to 0.60
Drug	0.33 to 1.25
Home center	0.35 to 0.60
Apparel	0.36 to 1.80
Specialty (shoes, books, jewelry)	1.00 to 1.75

(All figures in dollars per square foot)

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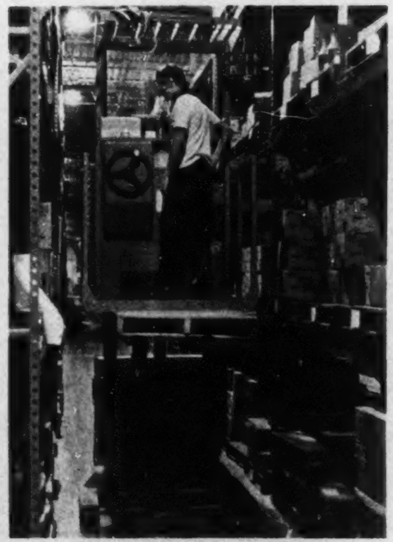
The chain drug industry will continue to spawn distribution centers regardless of the financing crunch.

Bucking the trend in drug industry

Drug chains, still considered by many to be in the vanguard of the trend toward more sophisticated distribution systems, also bucked the trend toward fewer new warehousing facilities in 1981. Indications are that the chain drug industry will continue to spawn distribution centers almost as if there were no financing crunch.

Revco, for instance, brought its warehousing capacity up to 1.7 million sq. ft. with a 100,000-sq.-ft. addition to its Somerset, Pa., facility and opened a new, 125,000-sq.-ft. center in Dallas. Plans for 1982 call for construction to be completed on two other projects—in Edwardsville, Kan. and Montgomery, Ala.—which will tack on another 520,000 sq. ft. of storage and distribution area.



Distribution centers enable chains to take advantage of bulk buys and cut storage space needed at store level.

By the end of the current year, Revco should become the drug chain with the greatest distribution capacity. That's understandable, because Revco boasts the greatest number of retail units, with nearly 1,600 stores, and the chain pumps some 90% of its inventory through its own distribution centers.

Walgreens, based in Deerfield, Ill., opened a 200,000-sq.-ft. facility in Orlando, Fla., last year, and is following up with a 350,000-sq.-ft. center in Windsor, Wis., in mid-1982. With the completion of the Windsor facility, Walgreens will operate some 2 million sq. ft. of warehousing space in eight locations across the country.

SupeRx is a chain that entered the warehousing game late, by industry standards, but in 1981 SupeRx more than doubled its existing distribution capacity by adding 120,000-sq.-ft. to its Cleveland distribution center and launching a 220,000-sq.-ft. facility in Melbourne, Fla., for a total of 560,000 sq. ft. of distribution space. SupeRx stores receive anywhere from 25% to 80% of their merchandise from the company's own facilities, depending largely on location and competitive factors.

K&B, the New Orleans-based drug chain, also boosted its warehouse space up over the 500,000-sq.-ft. mark last year. Its new 165,000-sq.-ft. center near headquarters was built, according to Sydney Besthoff III, president, to serve the eight drug stores added in 1981—and others as they come on line.

Thrift Drug, a J. C. Penney division, also beefed up its warehousing strength recently, with a 133,000-sq.-ft. addition to its Pittsburgh distribution center. The chain now operates 692,000 sq. ft. of warehouse space in three locations, and that represents a 70% increase over the 407,000 sq. ft. it enjoyed just two years ago. Like most of the larger drug chains, Thrift channels a large percentage (85%) of its goods through these facilities, in order to take advantage of bulk buys and cut down on the amount of storage space needed at the store level.

Hook Drug, based in Indianapolis, recently added 139,000 sq. ft. to its distribution complex, giving the chain a total of nearly 700,000 sq. ft. of space. Management plans to make some 400 store deliveries per week from this facility, or about 1.5 deliveries per store.

At least one chain, however, continues to rely more heavily on leased space. Longs, the highly promotional superstore chain on the West Coast, has based its strategy on its fluctuating need for large supplies of seasonal merchandise. Until now, most of Longs' merchandise has been drop-shipped to the stores—but that may change. Even Longs is reportedly thinking more and more about the value of company-owned distribution centers, as the chain reaches the point where its volume might qualify it for tempting discounts. ■

Overall simplicity: Single-ply systems

Roll it out and tack it on.

It isn't quite that simple. But ease of installation is, in fact, one of the chief reasons why the use of single-ply roofing systems is garnering converts among a growing number of retailers.

The roofing market has for many years been dominated by built-up roofing (BUR) systems. Their installation, however, is a lengthy, labor-intensive, multifaceted process. Installation of single-ply systems, on the other hand, is simple, requires fewer workers, and as James Cushey, head of G. C. Murphy Co.'s building department says, "The roofing can be put down on one of our stores in a week or less."

Proponents of single-ply systems cite other benefits that include: less sensitivity to cold temperatures and to moisture in the air; greater flexibility with regard to initial design specifications and reroofing, and greater ease of repair. They also claim that single-ply systems eliminate most of the maintenance problems associated with BUR's, including leakage, and are expected to provide longer roof life.

Already in the retailing industry, single-ply systems are being used both for repair of deteriorating BUR's and in use for new store construction.

At ALCO-Duckwall, for example, sheets of PVC are being used to simplify BUR repair. Although a single-membrane sheet of PVC can be used directly over the built-up roofs, here the practice has been to strip BUR's down to the fiberboard and then to put PVC on top.

Any decrease in costs of repairing BUR's is welcome since, as roofing experts explain, "Replacing a BUR is usually about three times as costly as putting down the original roofing system."

As for the building of new stores, Larry Goodman of Lord & Taylor is one of an increasing number of retailers (and encompassing all types of chain stores) who report having already converted to single-ply systems for all present and future store construction.

He explains, "The reason why we're using single-ply systems is very simple: They eliminate the problems we've had with other kinds of roofs, including leakage."

Roofing

Type of Chain	Range
Supermarket	1.00 to 3.00
Department store	1.43 to 2.10
Discount	1.70 to 3.00
Drug	2.00 to 4.00
Home center	0.75 to 2.00
Apparel	*
Specialty (shoes, books, jewelry)	*

(All figures in dollars per square foot)

*Not available

Fayva installed a different kind of thermostat.

Their energy costs decreased 19% to 54%.

The Multistat II light sensing thermostat has saved Fayva Shoe Stores up to 54% in energy costs. The only setback thermostat that does not operate by a clock, the Multistat has a light sensor that automatically lowers temperature to predetermined limits when people leave and indoor lighting is reduced.

Fayva wanted an energy saver that would automatically adjust to different store hours on weekends and holidays. They also wanted something tamperproof so employees and customers couldn't play with temperature settings. The Multistat by Dynelco was the only energy saving thermostat to combine these features plus others into a single package that directly replaced their old thermostats. They are working so well in their existing stores that Fayva has specified the Multistat II in their new store specifications.

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Static blurs communications picture

The Justice Department's proposed settlement of the A.T.&T. antitrust suit and two competing telecommunications bills now before Congress are dominating the communications landscape this year.

The complex Justice Department proposal that would, among other provisions, divest the Bell System's operating companies from the parent corporation is still far from being finalized. In fact, almost every aspect of the proposed settlement is being questioned and debated in court, resulting in an extremely unclear outlook for the Bell System.

According to Tracy Mullin, vp and associate director of Government affairs for the National Retail Merchants Association, it is precisely this lack of clarity surrounding the settlement that should concern retailers.

Mullin also cites several questions raised about the settlement, including the absence of a definition for the term "exchange telecommunications," and the uncertain future viability of the Bell operating companies.

Page Montgomery, vp of Economics and Technology Inc., a Boston-based consulting firm, points out that the proposed spin-off of Bell System companies "could cause additional revenue losses" to the local companies.

Montgomery also notes that under the existing proposal, A.T.&T.'s intercity services would be deregulated, in which case, he says, A.T.&T. "wouldn't have much incentive not to increase prices." In fact, Page asserts, the near term future for retail communications users is one that "doesn't see any possibility that prices will come down."

As a result, retail chains continue to look for cost-saving communications alternatives. J. C. Penney is inaugurating the use of three earth station satellites this year and plans to have 11 in operation by 1984. Also, K mart is looking for alternatives to the Bell System for its voice and data facilities.

F. W. Woolworth and Woolco stores are "using more and more non-Bell long-distance services for stores in remote locations," according to Bill Johnson, manager of telecommunications for the United States divisions of the stores. ■

Communications

Type of Chain	Range
Supermarket	*
Department store	*
Discount	0.36 to 1.25
Drug	0.20 to 0.65
Home center	0.20 to 0.35
Apparel	*
Specialty (shoes, books, jewelry)	*

(All figures in dollars per square foot)

*Not available

Creating atmosphere overhead

It had to happen. Designer ceilings. Store planners attempting to make "architectural statements" with ceilings are increasingly turning away from the traditional T-bar suspended acoustical tile ceiling.

Not that planners have dropped the conventional panels completely from their repertoire. But as Robert E. Young views it, it's "the kind of ceiling that most designers wish would go away. The ordinary T-bar looks inexpensive because it is inexpensive."

Ceilings

Type of Chain	Range
Supermarket	0.46 to 1.50
Department store	0.74 to 1.25
Discount	0.33 to 1.30
Drug	0.56 to 1.50
Home center	0.75 to 1.10
Apparel	0.90 to 1.50
Specialty (shoes, books, jewelry)	0.90 to 2.00

(All figures in dollars per square foot)

Certainly some retailers would argue with the viewpoint of Young, chairman of RYA Retail Design in Dallas. Nevertheless, he does have examples of chains that have moved away from the traditional acoustical tile ceilings and found success with other materials and ceiling configurations.

One material which is becoming entrenched is sheet rock, a plaster product formerly mostly used in residential construction.

The sheet rock, also called gypsum board, has only recently been carving out a niche in the retailing sector. Its drawbacks as a ceiling material at first seem prohibitive. Initial installation costs are "probably twice that of a T-bar ceiling," estimates Young, "and it's less flexible."

So why are such chains as Bloomingdale's and Bamberger's, among others, permitting themselves to get plastered?

In certain interior applications to "create atmosphere," Young says, these companies are covering sheet rock with brightly colored paints, fabrics and other materials. "Its shape can be changed by the application of moldings and trims."

Thus, designer ceilings have been born. But that doesn't mean the innovations have wiped out more traditional ceiling coverings.

Associated Dry Goods uses sheet rock "where we want a trendy look," says ADG's corporate architect, Donald Pavlik.

"We prefer the drop-in, lay-in tiles, however, because they provide easier access" to electrical wiring, sprinklers and HVAC fixtures.

Some chains report they have achieved fashionable-looking ceilings relatively inexpensively.

Ohrbach's is an example. Five years ago, Ohrbach's installed an open plenum ceiling at its Glendale, Calif., store. There, no panels cover HVAC ducts, sprinklers or other support systems—they're simply painted black. ■

Keeping the temperature down

If you wanted to talk about two of the more prevalent trends in refrigeration today, computerization and uneven parallel compressors would be good places to start.

Retailers and manufacturers agree that the use of microchip technology, which allows for more accurate monitoring and control of refrigeration equipment, is becoming increasingly widespread.

"Probably the most significant development over the past several years," states Dave Freedman, director of services for Giant Food Inc., "has been the replacement of electromechanical controls with solid state controls, which are by far more accurate."

Clive Samuels, a New Jersey-based energy consultant, believes that refrigeration controls systems "have improved dramatically through the use of microprocessors."

According to Ben Willitts, director of refrigeration and application engineering for Hill Refrigeration, large chain stores benefit the most from computer technology because "they just don't have the time to check and see how each refrigeration system is working. With a computerized printout they can call up whatever information they want, such as a defrost schedule or temperature of cases, whenever they want."

Computerized refrigeration systems will also become more and more integrated into a store's overall energy management system. Mark Sommers, manager of application engineering for Tyler Refrigeration Corp., notes that sophisticated systems now available to retailers offer temperature, pressure and humidity control, and along with the ability to turn off lights, can signal the control system when abnormal events occur, limit energy demand when necessary, and display all this information not only at the supermarket chain's main office but also at the home terminal of an energy manager via telephone.

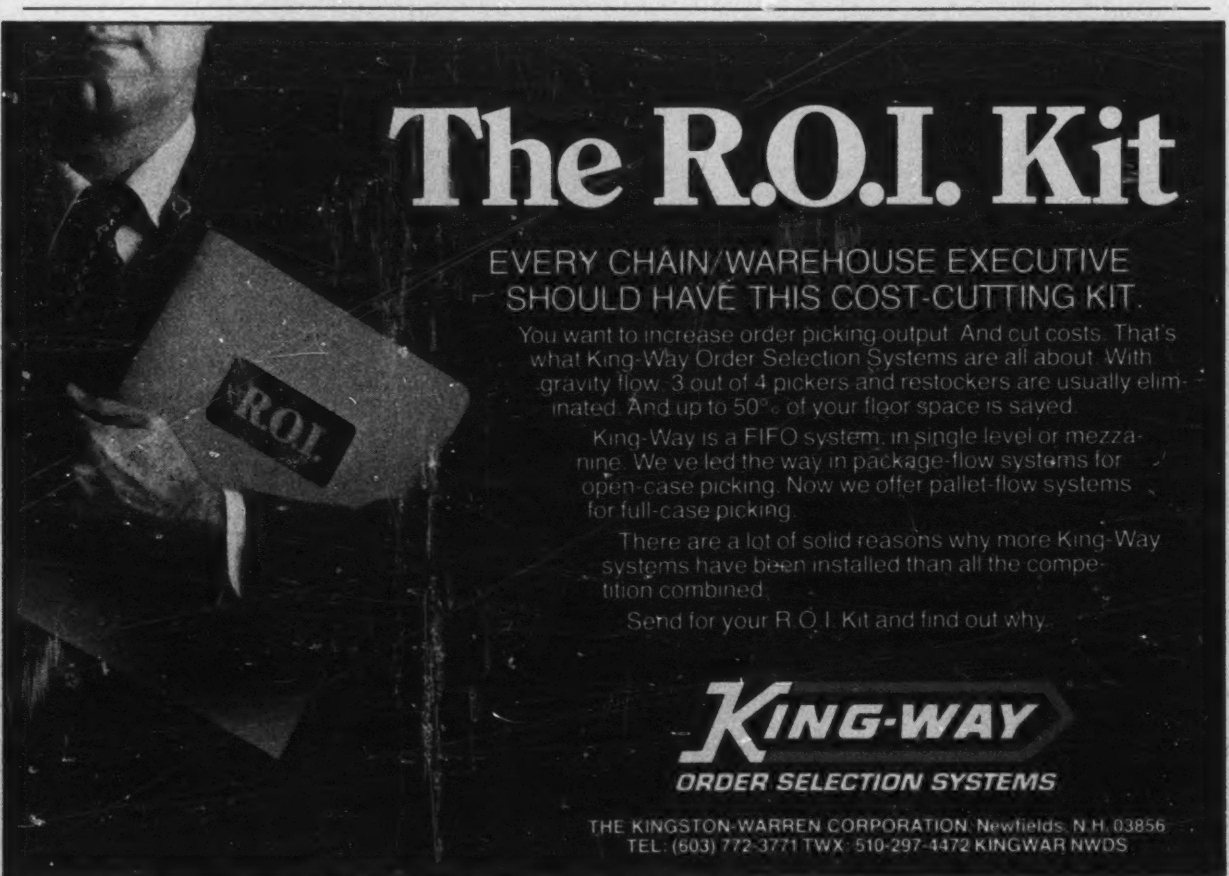
While everyone agrees that computerization is an inevitable trend that will eventually affect all refrigeration users, opinion is still very much divided on the use of uneven parallel compressors.

Whereas a traditional parallel compressor system has a number of equal horsepower compressors of the same size lined up on parallel racks, the unevens have compressors of uneven, or varying horsepower capacities. Consultant Samuels feels that the increased stages of energy that the uneven system allows accounts for a "quite significant energy saving, because of its ability to have more stages to cycle." ■

Refrigeration

Type of Chain	Range
Supermarket	6.00 to 15.00
Drug	0.36 to 1.05

(All figures in dollars per square foot)



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Finding a route to energy efficiency

Retailers these days are running through a maze of opportunity and danger in trying to accomplish that once simple task of keeping their stores at the right temperature. Cost, of course, is the source of the anxiety.

While small consumers are being lulled by a sense of stabilizing oil prices brought on by the current oil supply glut, those business people whose profit margins rise and fall with the price of heating, air conditioning and ventilating—70% of the average store's energy bill—aren't taking a nap. Instead, they are taking time to look at their mix of HVAC soft- and hardware—the delicate balance of machinery, technology and common sense—required to control their indoor environments.

The average cost of raw energy from utilities and other suppliers has continued to climb upward.

But the utilities have not followed a consistent pattern nor shown any discernible regional bias. The range of increases varied widely—from 4% to 20%. Most retailers were reporting increases of at least 10%, with some lower and some much higher. Regardless of the figure, the industry found that energy costs, overall, have increased at nearly twice the rate of sales.

Department of Energy officials still see lots of room for improvement. In a recent study of 1,600 recently constructed buildings, including shopping centers, department stores and warehouses, a normal consumption of 87,000 Btu's per square foot a year was found for the existing buildings without improvements.

Bringing the buildings to current standards set by trade associations would reduce the consumption to the mid-60's—a better than 25% gain. Moreover, using better store design, energy needs could drop to about 55,000 Btu's per square foot a year, an overall 37% drop in energy costs for new buildings. Of that total consumption, more than half is for heating, air-conditioning and ventilation.

Retailers are using three major responses to making their HVAC more energy efficient: people-oriented conservation programs, capital investment in high technology and more efficient equipment, and improved store design. ■

HVAC

Type of Chain	Range
Supermarket	1.25 to 3.00
Department store	2.25 to 5.50
Discount	0.73 to 2.90
Drug	2.00 to 5.50
Home center	1.45 to 1.50
Apparel	1.75 to 4.00
Specialty (shoes, books, jewelry)	2.50 to 3.50

(All figures in dollars per square foot)

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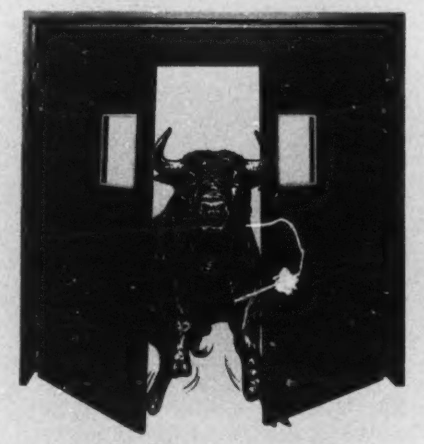

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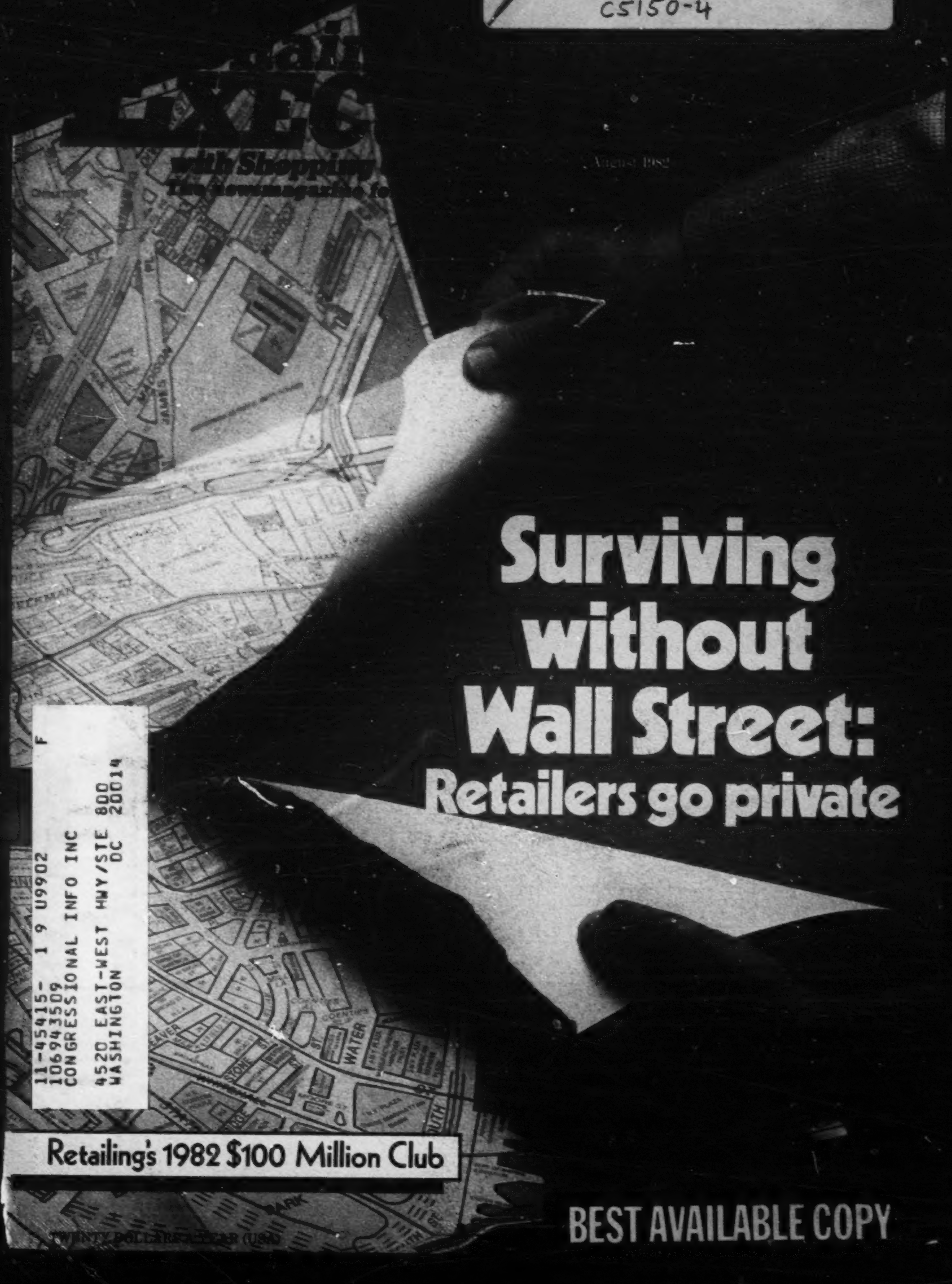

Surviving without Wall Street:

Retailers go private

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Retailing's 1982 $100 Million Club

TWENTY DOLLARS A YEAR (USA)

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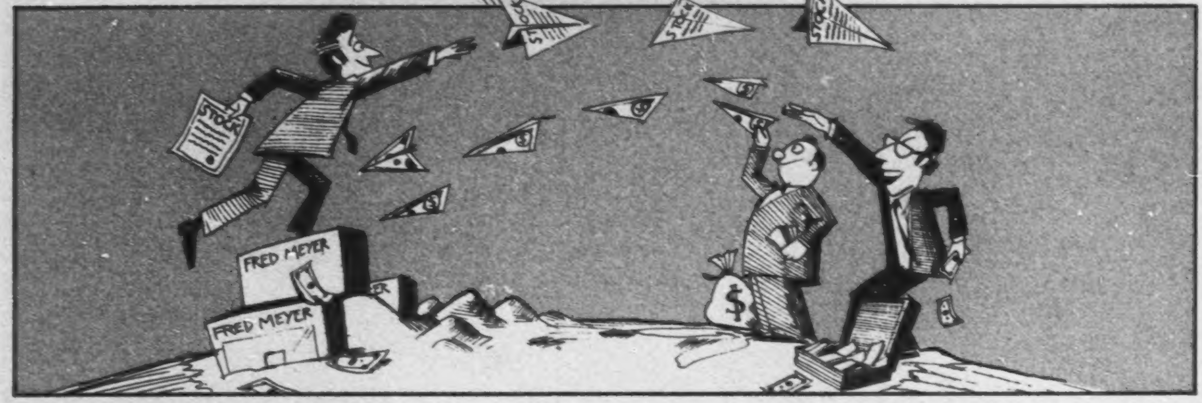
Chain Store Age EXECUTIVE
with Shopping Center Age
The newsmagazine for retail operations



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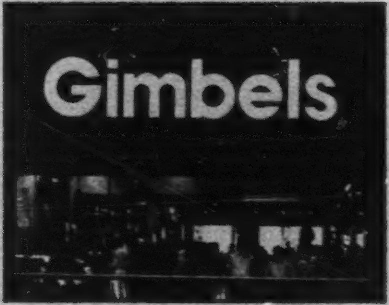


This year's leaders

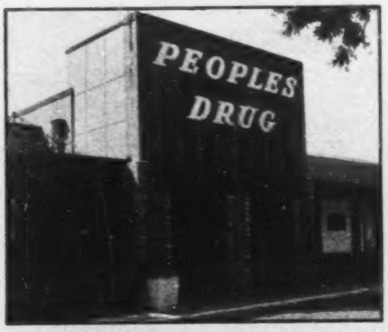
The 1982 edition of *Chain Store Age Executive's* $100 Million Club contains financial information that will allow retailers to compare their chains with the performances of competitors. In addition to earnings, sales and the ratio of earnings to sales, it contains information on inventories as a percentage of total assets and return-on-investment, two important measuring tools.

	SALES (in millions)		EARNINGS (in millions)		EARNINGS AS % OF SALES		INVENTORIES AS % OF CURRENT ASSETS			UNITS	
Chain	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	ROI	Most Recent Fiscal Year	To Be Built In 1982
1. Sears	$18,228.0	$16,831.0	$352.3	$219.50	1.90	1.3	78.4	75.2	4.3	928	N/A
2. Safeway	16,580.0	15,102.0	114.6	119.30	0.60	0.7	83.3	79.8	10.3	2,410	90
3. K mart[a]	16,527.0	14,204.0	220.3	260.50	1.30	1.8	91.8	89.0	3.3	2,374	N/A
4. J. C. Penney	11,860.0	11,353.0	387.0	233.00	3.20	2.0	46.0	49.9	6.2	2,082	45
5. Kroger	11,266.0	10,316.0	128.0	94.30	1.10	0.9	72.6	82.7	15.9	1,765	90
6. F. W. Woolworth[b]	7,223.0	7,130.0	82.0	156.00	1.10	2.1	88.7	46.1	6.0	6,353	338
7. Lucky Stores	7,201.0	6,469.0	95.4	90.40	1.30	1.3	78.1	73.5	19.4	1,576	N/A
8. American Stores	7,097.0	6,420.0	64.6	51.60	0.80	0.8	82.3	84.2	22.3	1,122	N/A
9. Fed. Dept. Stores	7,067.0	6,300.0	285.5	277.40	3.60	4.4	39.6	39.7	13.0	462	61
10. A&P	6,227.0	6,990.0	(101.6)	(43.10)	N/A	N/A	78.6	75.1	N/A	1,055	N/A
11. Winn-Dixie	6,200.0	5,389.0	95.4	92.00	1.50	1.0	63.0	61.0	20.0	1,220	N/A
12. Montgomery Ward[d]	5,742.0	5,497.0	(124.0)	(137.00)	N/A	N/A	51.1	56.9	N/A	390	4
13. Southland Corp.#	5,694.0	4,759.0	94.2	76.10	1.70	1.6	36.8	37.0	15.3	7,400	N/A
14. Jewel Cos.	5,107.0	4,267.0	101.6	55.20	1.90	1.2	80.7	80.2	18.3	1,292	103
15. Household Merch.[e]	5,080.0	4,462.0	53.3	43.00	1.10	1.0	51.5	52.6	10.4	4,483	N/A
16. Dayton Hudson#	4,942.0	4,033.0	159.5	138.20	3.50	3.6	47.0	47.7	13.4	925	139
17. Grand Union	4,138.0	3,626.0	24.7	34.30	0.60	1.0	N/A	N/A	N/A	729	N/A
18. Wickes	3,840.0	3,319.0	(258.3)	78.70	N/A	2.0	N/A	N/A	N/A	N/A	N/A
19. Albertson's	3,480.0	3,039.0	48.4	40.60	1.30	1.3	57.7	60.0	20.3	412	26
20. May Dept. Stores	3,400.0	3,149.0	126.2	116.90	3.70	3.7	36.2	33.0	13.2	1,271	137
21. Supermarkets Gen'l	2,999.0	2,628.0	30.2	26.00	1.00	0.9	70.8	72.9	18.1	202	18
22. Carter Hawley Hale	2,871.0	2,633.0	44.8	57.30	1.60	2.2	74.5	64.1	6.9	948	99
23. Melville	2,761.0	2,332.0	136.1	113.80	4.90	4.9	71.2	65.2	22.4	5,154	273
24. Assoc. Dry Gds[f]	2,751.0	1,952.0	69.8	51.80	2.50	2.7	67.1	52.9	4.4	295	7
25. Allied Stores	2,733.0	2,268.0	88.3	83.30	3.20	3.7	36.8	29.9	11.1	512	4
26. R. H. Macy & Co.	2,657.0	2,373.0	119.6	103.00	4.50	4.3	76.6	69.3	17.0	92	2
27. Dillon	2,494.0	2,077.0	41.6	27.30	1.60	1.3	73.2	75.9	22.4	567	47
28. Wal-Mart	2,445.0	1,643.0	82.8	55.70	3.40	3.4	83.3	81.1	25.6	491	60
29. Publix	2,385.0	2,168.0	40.0	37.20	1.70	1.7	69.8	75.0	15.0	255	12
30. Stop & Shop	2,168.0	2,059.0	24.5	12.00	1.10	0.5	77.4	82.8	16.2	379	6
31. BATUS	2,159.0	2,038.0	126.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
32. Rapid American#	1,804.0	1,669.0	155.6	141.30	8.60	8.5	61.1	65.3	N/A	1,773	N/A
33. Zayre	1,797.0	1,594.0	22.1	17.60	1.20	1.1	89.4	85.1	11.1	567	62
34. Jack Eckerd	1,752.0	1,547.0	78.5	69.20	4.50	4.5	72.0	72.0	16.8	1,363	N/A
35. Walgreens	1,743.0	1,530.0	42.1	34.80	2.40	2.3	81.2	71.7	16.8	821	70

N/A Not available or not applicable
*Estimated
#Retail only

†Operating profit
( )Loss

**53 week year
§Corporate parents figures
For additional footnotes, see page 42.



SERVICE
MERCHANDISE
Catalog Showroom

	SALES (In millions)		EARNINGS (In millions)		EARNINGS AS % OF SALES		INVENTORIES AS % OF CURRENT ASSETS			UNITS	
Chain	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	ROI	Most Recent Fiscal Year	To Be Built In 1982
36. Tandy	$ 1,691.0	$ 1,365.0	$169.6	$112.20	10.00	8.1	72.4	61.9	29.7	8,347	250
37. Giant Food	1,683.0	1,483.0	16.8	18.30	1.00	1.2	61.7	58.6	12.7	130	4
38. Carlson Co.	1,600.0	1,400.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
39. Fisher Foods	1,492.0	1,412.0	21.1	6.70	1.40	0.5	30.6	56.1	24.2	59	2
40. Waldbaum's	1,376.0	1,272.0	10.4	10.80	0.80	0.9	65.5	62.9	12.0	140	N/A
41. Revco	1,310.0	1,092.0	45.1	38.90	3.40	3.6	81.2	71.6	18.1	1,514	85
42. National Tea[j]	1,300.0*	1,259.0**	N/A	14.20	N/A	1.1	N/A	N/A	N/A	228	N/A
43. H. E. Butt	1,300.0	1,000.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
44. Mercantile Stores	1,269.0	1,108.0	57.8	42.20	4.60	3.8	43.7	42.3	14.6	84	2
45. First National[j]	1,230.0	1,365.0	7.5	5.20	0.60	0.4	N/A	N/A	N/A	N/A	N/A
46. Pantry Pride	1,225.0	1,124.0	150.0	22.50	N/A	N/A	N/A	N/A	N/A	150	0
47. W. R. Grace#	1,208.0	1,038.0	23.7	21.90	2.00	2.1	49.1	47.4	17.5	504	N/A
48. Meijer[j]	1,200.0*	656.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
49. Marshall Field	1,194.0	1,013.0	22.6	20.70	1.90	2.0	53.3	59.0	7.0	77	N/A
50. U.S. Shoe#	1,088.0	973.0	58.8	46.90	5.40	4.8	N/A	N/A	20.8	1,336	N/A
51. Rite Aid	1,067.0	944.0	93.9	35.90	3.70	3.8	82.1	81.5	18.3	963	95
52. SCOA	1,058.0	942.0**	32.1	28.10	3.00	3.0	53.5	50.6	21.8	842	8
53. Thrifty Corp.	1,054.0	949.0	17.7	14.70	1.70	1.6	90.0	88.2	14.9	596	72
54. Service Merch.	1,027.0	865.0	23.1	20.40	2.30	2.4	78.3	72.2	16.3	116	N/A
55. Longs	1,005.0	893.0	30.3	25.90	3.00	2.9	83.8	81.8	17.0	162	7
56. Fred Meyer#	1,000.0	973.0	N/A	26.60	N/A	2.70	N/A	N/A	N/A	66	N/A
57. Borman's	977.0	948.0	(3.5)	0.03	N/A	0.0	62.3	66.6	N/A	100	0
58. Cullum#	974.0	864.0	13.6	11.20	1.40	1.3	81.7	79.8	20.4	129	6
59. Zale	962.0	829.0	37.4	72.70	3.90	8.8	62.6	63.9	8.7	1,576	N/A
60. Edison Bros.	951.0	853.0	43.6	42.20	4.60	5.0	78.1	74.9	16.6	2,114	100
61. Pay-N-Save	949.0	823.0	12.9	19.10	1.40	2.3	88.8	78.2	8.8	242	12
62. Koffler Stores[k]	900.0[y]	780.0[y]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	440	N/A
63. Lowe's Cos. Inc.	888.0	884.0	17.9	18.90	2.00	2.1	58.1	59.6	10.1	229	N/A
64. Hy Vee	875.0	770.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	135	N/A
65. Scrivner's	863.7§	674.4§	9.7	7.40	1.10	1.1	68.1	66.0	17.8	68	15
66. G. C. Murphy	817.6	803.7	4.9	9.30	0.60	1.2	84.5	87.0	3.9	435	N/A
67. American Can#	814.6	737.8	76.7	85.70	9.40	11.6	39.5	43.8	7.4	429	N/A
68. Smith's	785.0§	275.0§	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
69. Petrolane[m]	784.6	645.7	35.5	35.90	5.00	5.6	38.8	43.9	9.1	148	N/A
70. Toys "R" Us	783.3	597.3	48.9	28.90	6.20	4.8	49.8	49.2	23.8	120	24
71. Pneumo Corp.#	774.7	683.6	15.3	14.30	2.00	2.1	20.5	20.3	14.8	181	5
72. Best Products	773.0[cc]	841.0	19.5	20.30	2.50	2.4	93.2	93.4	10.4	100	3
73. Carson Pirie Scott#	769.7	582.1	14.5	12.00	1.90	2.1	40.0	35.1	10.9	26	N/A
74. Payless Drugs (N.W.)	758.5	750.9	16.6	14.30	2.20	1.9	85.4	79.5	18.1	143	5
75. Weis Markets	756.8	684.8	38.0	33.10	5.00	4.8	28.9	32.1	17.9	110	4
76. Evans Prods.#	756.2	692.7	53.0	51.90	7.00	7.5	54.6	58.9	18.2	345	N/A
77. Sherwin Williams[m]	753.3	582.3	23.1	7.80	3.10	1.3	47.8	32.0	7.6	1,747	N/A
78. Circle K Corp.	746.8	644.5	N/A	14.40	N/A	2.2	N/A	N/A	N/A	1,211	N/A
79. King's Dept. Stores	741.4	729.7	(52.1)	3.90	N/A	0.5	67.2	89.3	N/A	181	N/A
80. Bi-Lo	728.0	617.9	N/A	N/A	N/A	N/A	N/A	N/A	N/A	129	N/A
81. Modern Merch.	715.0	678.7	5.4	1.30	0.80	0.2	76.3	78.9	5.6	71	4
82. Cook United#	690.0	427.9	(3.3)	1.70	N/A	0.4	85.2	80.8	N/A	118	0
83. Interco#	672.2	645.9	22.8	27.10	3.40	4.2	28.6	27.8	2.3	869	N/A
84. Foodtown	666.9	543.9	19.3	15.30	2.90	2.8	81.4	83.5	24.8	141	20
85. Consumer Dist.	660.3	630.9	4.9	8.40	0.70	1.3	73.5	72.1	5.7	301	N/A

N/A Not available or not applicable
*Estimated
#Retail only

†Operating profit
( )Loss

**53 week year
§Corporate parents figures
For additional footnotes, see page 42.

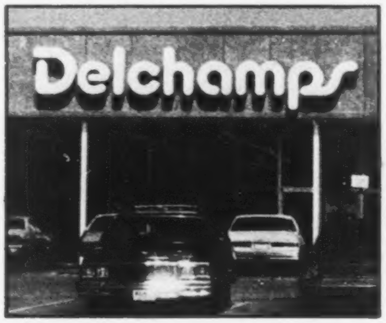
Chain	SALES (In millions)		EARNINGS (In millions)		EARNINGS AS % OF SALES		INVENTORIES AS % OF CURRENT ASSETS			UNITS	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	ROI	Most Recent Fiscal Year	To Be Built In 1982
86. Western Auto	$ 645.7	$ 589.5	$ 12.0	$ 4.80	1.90	0.7	48.4	43.9	8.1	199*	N/A
87. Peoples Drug	634.3	561.8	9.3	8.20	1.50	1.5	85.3	85.6	13.9	527	N/A
88. Allied Supers	609.4	538.7	5.5	19.80	0.90	3.7	55.9	59.6	N/A	84	N/A
89. Raley's	600.0*	485.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	41	N/A
90. Rose's Stores	594.8	526.3	8.2	6.50	1.40	1.2	89.1	82.9	10.2	234	10
91. Food Giant Inc.§	594.0	527.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	91	N/A
92. Dillards	592.9	470.7	16.3	8.50	2.80	1.8	63.4	61.4	14.0	56	7
93. Boise Cascade#	576.0	654.5	(9.6)	(17.90)	N/A	N/A	55.3	50.6	N/A	109	0
94. Niagara Frontier#	573.7	502.2	8.0	9.00	1.40	1.8	56.0	58.0	14.3	124	7
95. Schnuck Mkts.	565.0*	550.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	59	N/A
96. Purity Supreme	560.0*	500.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	115	2
97. Price Chopper	550.0*	500.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	72	N/A
98. Marsh Supers	535.4	491.6	7.2	4.50	1.40	0.9	75.7	79.1	20.0	205	N/A
99. Hannaford Bros.	530.2	476.6	6.4	4.90	1.20	1.0	71.0	58.3	17.9	91	N/A
100. Petrie Stores	529.8	479.5	47.0	46.30	8.90	9.7	37.9	30.6	20.2	795	34
101. Nat'l Convenience	527.5	434.4	10.2	8.10	1.90	1.9	70.2	69.4	21.5	832	50
102. Alexander's	523.6	505.1	(9.5)	1.00	N/A	0.2	70.2	79.5	N/A	16	0
103. Nordstrom	522.1	407.8	24.7	19.60	4.70	4.8	41.9	37.8	16.6	34	3
104. Arden Group	517.0	509.6	4.2	4.30	0.80	0.8	65.7	69.2	11.6	93	N/A
105. Super Valu#	515.7	453.4	33.9	26.20	6.60	5.8	11.2	9.3	12.2	289	14
106. Big Bear Stores	511.0*	375.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
107. DeMoulas	510.0*	410.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	63	N/A
108. Chatham	510.0*	480.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	45	N/A
109. Thrift Drug	507.0*	474.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	343	N/A
110. Furr's	504.0*	620.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	99	N/A
111. 84 Lumber	501.0*	500.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	361	30
112. Giant Eagle	500.0*	450.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	54	N/A
113. Levitz Furniture	448.5	500.7	8.9	13.50	1.80	2.7	79.9	73.9	6.8	76	3
114. Bruno's	488.3	404.9	11.0	8.60	2.30	2.1	48.7	61.2	35.4	67	5
115. Gordon Jewelry	481.6	445.2	26.3	24.50	5.50	5.5	76.2	74.8	13.3	669	50
116. Payless Cashways	479.1	383.1	16.6	11.00	3.50	2.9	97.5	91.4	16.7	88	12
117. Smitty's	475.0	400.0	N/A	2.40	N/A	2.4	N/A	N/A	N/A	35	N/A
118. Heck's Inc.	473.8	432.3	13.4	15.50	2.80	3.6	75.6	75.4	12.8	290	18
119. Thriftimart	505.9	473.5	4.9	7.20	0.97	1.5	75.7	72.3	9.0	130	N/A
120. Nash Finch Co.#	468.1	433.8	9.1	9.90	1.90	2.3	72.0	76.1	11.2	101	3
121. Big V Supers	456.5	407.9	6.4	5.10	1.40	1.3	49.0	40.4	20.2	30	0
122. Pueblo Int'l#	452.8	396.6	3.0	3.40	0.70	0.9	43.2	51.9	8.1	43	N/A
123. Sentry Stores	447.2	408.4	2.7	2.60	0.60	0.6	71.9	72.2	10.5	87	N/A
124. Morse Shoes	447.0	437.0	10.0	16.00	2.20	3.6	58.0	64.3	8.8	876	88
125. Hart, Schaffner, & Marx	442.0	404.0	27.4	22.50	6.20	5.6	56.0	56.9	11.2	310	18
126. P. J. Schmitt[1]	441.0[1]	160.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	28	N/A
127. Shopwell	433.1	384.6	1.2	1.10	0.30	0.3	66.1	67.7	6.4	68	N/A
128. Seaway Foodtown	428.5	537.1	5.2	4.60	1.20	1.3	68.1	58.4	15.5	70	N/A
129. Strawbridge & Clothier	425.6	390.2	12.1	12.90	2.80	3.3	34.5	34.0	9.3	29	2
130. Cumberland Farms	425.0*	398.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,170	N/A
131. Foodarama	421.5	412.9	0.8	(1.30)	0.20	N/A	63.0	70.2	3.8	34	0
132. Lane Bryant	419.0	400.4	11.6	11.1	2.80	2.8	36.1	35.0	12.9	274	N/A
133. The Gap	417.4	369.8	11.8	11.60	2.80	3.1	86.2	85.7	17.4	522	5
134. Penn Traffic	417.0	390.4	4.6	6.20	1.10	1.6	55.8	67.9	9.5	70	N/A
135. King Kullen	410.3	359.9	2.0	1.40	0.50	0.4	N/A	N/A	N/A	N/A	N/A
136. Cole National	407.7	174.0	8.7	6.70	2.10	3.9	70.2	56.7	17.5	486	N/A
137. H. J. Wilson	402.9	297.8	12.7	11.10	3.20	3.7	69.8	86.8	11.7	72	7
138. Harris Teeter[1]	401.0	362.7	7.1†	6.40†	1.80	1.8	61.8	65.0	11.0	81	10
139. Fedco	400.0*	400.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7	N/A
140. Delchamps	400.0*	350.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	62	N/A
141. Hughes Mkts.	400.0*	350.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	34	N/A
142. Schwegmanns	400.0*	350.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10	N/A
143. Shaw	400.0*	300.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	39	N/A
144. HRT Inc.[1]	391.1	325.4	6.6	3.00	1.70	0.9	64.8	75.6	11.4	173	32
145. U-Tote 'M'	387.7	319.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	950	N/A
146. A. J. Bayless	384.0	368.5	2.5	2.60	0.70	0.7	79.1	82.1	8.9	59	1
147. Ames	383.1	337.7	9.9	8.70	2.60	2.6	79.5	67.3	19.0	133	7
148. General Mills#	379.0	356.0	13.2	26.40	3.50	7.4	56.8	55.1	1.2	187	N/A
149. Pamida	370.0*	337.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	190	N/A
150. C. R. Anthony	368.8	315.5	12.3	8.00	3.40	2.7	90.0	95.4	18.8	209	3

N/A Not available or not applicable
*Estimated
#Retail only

†Operating profit
( )Loss

**53 week year
§Corporate parents figures
For additional footnotes, see page 42.

$100 MILLION CLUB



Chain	SALES (in millions)		EARNINGS (in millions)		EARNINGS AS % OF SALES		INVENTORIES AS % OF CURRENT ASSETS			UNITS	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	ROI	Most Recent Fiscal Year	To Be Built In 1982
151. The Limited†	$ 364.9	$ 295.0	$ 22.4	$ 13.10	6.10	4.4	64.1	66.5	26.9	422	60
152. Piggly Wiggly South	360.0*	350.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	72	N/A
153. Tamakin Co.#	350.0*	250.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	70	N/A
154. The Pantry	350.0*	232.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	454	N/A
155. Ingles Markets	343.9	308.7	3.9	3.60	1.20	1.2	75.0	73.3	14.5	75	N/A
156. Munford Inc.	338.0	319.0	5.7	0.90	1.70	0.3	71.9	73.9	14.5	1,083	58
157. Schultz Sav-O	336.7	305.6	1.3	1.60	0.40	0.5	71.8	72.6	11.5	72	N/A
158. Woodward & Lothrop	334.0	308.3	10.2	9.60	3.10	3.1	36.5	35.4	9.5	16	N/A
159. Wegman's	330.0*	350.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	35	N/A
160. Almac's	324.0	313.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	40	N/A
161. General Nutrition	319.8	241.6	10.3	12.90	3.20	5.3	83.0	86.8	15.2	961	89
162. Red Food	305.0*	261.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	37	N/A
163. S.M. Flickinger#	302.4*	204.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,100*	N/A
164. Victory Mkts.	300.9	275.9	1.0	0.70	0.30	0.3	76.3	80.2	7.5	93	0
165. Tradewell Stores**	300.8*	300.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	118*	N/A
166. Jitney Jungle	300.0*	246.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
167. Randall	300.0*	242.2	N/A	2.50	N/A	1.0	N/A	N/A	N/A	38	N/A
168. Fred W. Albrecht	300.0*	240.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	23*	N/A
169. Giant Food (PA)	300.0*	175.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
170. The Boys	300.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	40	N/A
171. Jamesway	296.2	273.3	4.2	3.80	1.40	1.4	84.7	78.5	9.6	64	N/A
172. Scotty's	294.4	245.9	11.1	10.60	3.80	4.3	64.8	73.1	17.3	83	6
173. Liberty House	293.6	269.1	19.4	22.40	6.60	8.3	22.5	22.9	3.9	61	2
174. Mayfair Supermarkets	292.0	279.6	0.8	0.40	0.30	0.1	60.3	56.3	20.3	34	1
175. Motts	289.3	264.8	4.7	3.80	1.60	1.4	35.4	39.5	17.5	27	N/A
176. Times Square Stores	287.0	290.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	21	N/A
177. Star Markets	281.0	274.0**	1.1	2.00	0.40	0.7	75.4	75.5	5.7	41	N/A
178. Dart Drug	276.9	259.0	4.2	1.40	1.50	0.5	N/A	N/A	N/A	171	N/A
179. Brookshire	275.0*	319.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	65	N/A
180. Lowe's Food Stores	270.0*	226.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	79*	N/A
181. Village Supers	269.0	245.3	1.4	1.80	0.50	0.7	64.5	72.8	11.7	20	N/A
182. Brown Group#	267.9	238.2	18.3	12.20	6.80	5.1	17.9	N/A	5.4	415	1
183. Edward Hines Lumber	265.0†	270.6	(5.8)	(1.70)	N/A	N/A	46.7	46.3	N/A	25	N/A
184. Hook Drugs	261.2	235.5	5.9	7.30	2.30	3.1	93.7	85.3	15.5	267	9
185. Piggly Wiggly (RR)	260.0*	242.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	62*	N/A
186. Minyard Food	255.0*	230.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	52*	N/A
187. Fareway Stores	250.0*	240.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	37	N/A
188. Melmarkets	250.0*	175.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15	N/A
189. Dollar General	245.5	209.8	7.2	5.90	2.90	2.8	88.4	89.5	13.2	826	N/A
190. Adams Drug	242.4	207.1	3.4	3.10	1.40	1.5	76.7	76.6	9.6	481	N/A
191. Milgram Food	240.0*	230.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	47	N/A
192. S.E. Nichols	238.3	223.5	(0.5)	0.20	N/A	0.1	74.1	71.3	N/A	43	N/A
193. Fay Drug	238.2	243.1	3.0	0.90	1.30	0.4	68.5	80.8	14.8	84	N/A
194. Conna Corp.#§	236.4	195.7	2.0	2.50	0.90	1.3	23.6	17.8	18.0	416	N/A
195. Grand Central	236.1	230.8	1.5	1.60	0.60	0.7	93.6	96.5	5.6	32	0

N/A Not available or not applicable
*Estimated
#Retail only

†Operating profit
( )Loss

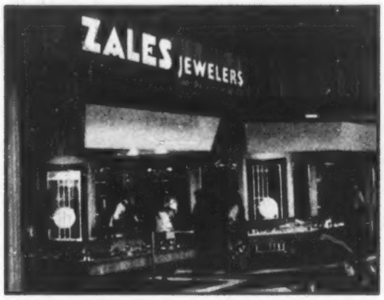
**53 week year
§Corporate parents figures
For additional footnotes, see page 42.

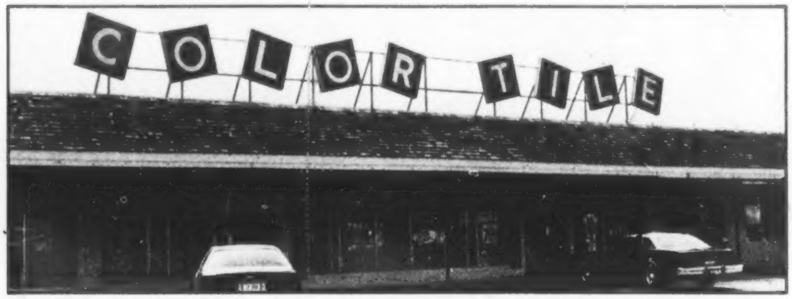
	SALES (in millions)		EARNINGS (in millions)		EARNINGS AS % OF SALES		INVENTORIES AS % OF CURRENT ASSETS			UNITS	
Chain	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	ROI	Most Recent Fiscal Year	To Be Built In 1982
196. Elder-Beerman	$ 235.2	$ 204.0	$ 1.9	$ 2.40	0.80	1.2	44.9	42.2	5.3	167	26
197. Pep Boys#	233.5	199.8	11.2	7.70	4.80	3.9	62.5	71.4	17.4	104	3
198. Quiktrip Corp.	230.0	162.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	245	N/A
199. Color Tile	227.5	207.1	11.4	13.60	5.00	6.6	53.7	63.5	12.9	520	N/A
200. Peavey	227.0	206.0	10.7	10.70	4.70	5.2	35.0	24.9	6.0	224	5
201. H.C. Prange	226.7	209.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	33	N/A
202. Searle Optical#	224.9	196.6	23.4	22.70	10.40	11.6	N/A	N/A	4.1	989	N/A
203. Miller-Wohl	221.0	201.7	17.9	19.30	8.10	9.6	30.1	30.3	19.9	307	3
204. D.H. Holmes	221.0	197.3	4.6	5.00	2.10	2.5	56.3	52.3	10.4	25	1
205. Child World²	220.4	178.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	71	N/A
206. Standard Brands Paint Co.	220.0	202.1	15.1	15.40	6.90	7.6	74.0	78.6	13.6	88	5
207. Handy Andy	218.6	259.0	(18.4)	N/A	N/A	N/A	N/A	N/A	N/A	47*	N/A
208. Oshman's Sporting Goods	216.4	144.9	7.5	5.00	3.50	3.5	80.3	64.4	16.3	149	N/A
209. Spencer Gifts**	216.2	211.0	13.7	8.80	8.30	4.2	N/A	N/A	N/A	467	N/A
210. Hess's	215.3	159.8	5.2	6.10	2.3	3.8	N/A	N/A	N/A	29	5
211. Copps	215.0	207.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	27	N/A
212. Sutherland Lumber	211.0*	205.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	74	N/A
213. Hechinger's	210.6	170.5	8.6	6.80	4.10	4.0	41.2	38.0	14.5	31	3
214. B. Altman & Co.	210.0	185.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6	N/A
215. Houchens	210.0*	180.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	54	N/A
216. Food Lane	209.1	183.0	2.4	1.80	1.20	1.0	69.5	71.8	14.8	26	2
217. Higbee	206.3	202.5	2.1	1.10	1.00	0.5	31.1	27.5	4.0	20	N/A
218. Genesco#	202.6	171.9	N/A	(0.40)	N/A	N/A	N/A	N/A	N/A	1,146	N/A
219. Consumers Market	200.0*	190.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	19	N/A
220. Duckwall ALCO	199.1	174.6	2.8	3.30	1.40	1.9	89.8	97.1	8.9	118	1
221. Grey Drug	195.1	192.8	0.5	4.70	0.30	2.4	45.3	90.8	1.0	390	N/A
222. Perry Drug	192.1	136.4	3.4	2.40	1.80	1.8	80.3	87.3	14.6	117	N/A
223. Malone & Hyde	189.6	141.7	7.7	11.80	4.10	8.3	74.4	69.3	4.9	236	41
224. P.A. Bergner	182.0	159.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	25	N/A
225. Glosser Bros.	181.7	174.3	1.3	1.80	0.70	1.0	79.9	71.8	5.5	35	N/A
226. Family Dollar	181.7	166.9	9.1	9.30	5.00	5.0	89.7	92.1	12.9	474	55
227. Pay N Pak Stores	181.0	151.8	7.2	6.50	4.00	4.3	94.6	96.2	17.9	74	9
228. House of Fabrics	180.2	156.8	7.9	3.70	4.40	2.3	79.2	80.7	14.9	564	N/A
229. Foodworld (NC)	180.0*	173.3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	35	N/A
230. [illegible] Markets	180.0*	160.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	240	N/A
231. Rosauer's	180.0*	160.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24	N/A
232. Brooks Fashion	179.2	148.3	7.8	7.80	N/A	5.3	N/A	N/A	N/A	453	N/A
233. Sunshine Jr. Stores	178.8	151.9	2.0	1.50	1.10	1.0	79.0	73.0	12.5	361	20
234. Wieboldt	178.0	166.9	N/A	1.70	N/A	1.0	N/A	N/A	N/A	15	N/A
235. Little General⁶	177.8	163.1	8.3†	6.10†	4.70	3.7	N/A	N/A	10.7	460	25
236. Ward's Co.	176.2	131.9	1.9	2.70	1.10	2.1	78.5	74.3	9.5	101	12
237. Angelo's	175.0*	155.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	65	N/A
238. Fabri-Centers	172.8	149.7	5.4	4.00	3.10	2.7	88.7	90.2	12.8	591	N/A
239. Giant Food (Tenn)	172.2*	171.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	46	N/A
240. Jewelcor#	171.1	134.8	N/A	7.50	N/A	[illegible]	N/A	N/A	N/A	20	N/A
241. Ann & Hope	171.0*	153.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24*	N/A
242. Community Cash	170.0*	160.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	35	N/A
243. Jacobson's	169.3	151.9	2.1	0.80	1.20	0.5	68.8	70.8	9.2	21	0
244. Younker's²	164.6	152.1	N/A	2.20	N/A	1.5	N/A	N/A	N/A	29	N/A
245. Twin Fair	164.0	248.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	15	N/A
246. [illegible] (Ca)	160.0*	134.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	36	N/A
247. City Stores Co.	157.7	176.1	(16.0)	34.50	N/A	19.6	36.3	35.1	N/A	21	0
248. Nob Hill	155.3	132.4	N/A	1.40	N/A	1.1	N/A	N/A	N/A	16	N/A
249. Pier 1	156.5	117.2	7.9	6.10	5.10	5.2	90.4	88.7	39.6	260	N/A
250. [illegible]	151.6	143.7	4.6	5.30	3.00	2.7	[illegible]	76.0	10.5	325	N/A
251. Big Discount Wonder Markets	150.0*	150.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9	N/A
252. Sunflower	150.0*	148.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	105	N/A
253. Singer Super	150.0*	148.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8	N/A
254. Sloan's Supers	150.0*	145.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	41	N/A
255. Harding's Friendly Markets	150.0*	136.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	36	N/A
256. [illegible]	150.0*	117.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	8	N/A
257. Rice Food	148.0*	130.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	39	N/A
258. Basha	145.8*	145.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
259. Man-Dell	145.0*	136.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
260. [illegible]	143.8*	124.4	10.6	10.30	7.50	8.2	N/A	N/A	N/A	[illegible]	[illegible]

N/A Not available or not applicable
*Estimated
#Retail only

†Operating profit
( )Loss

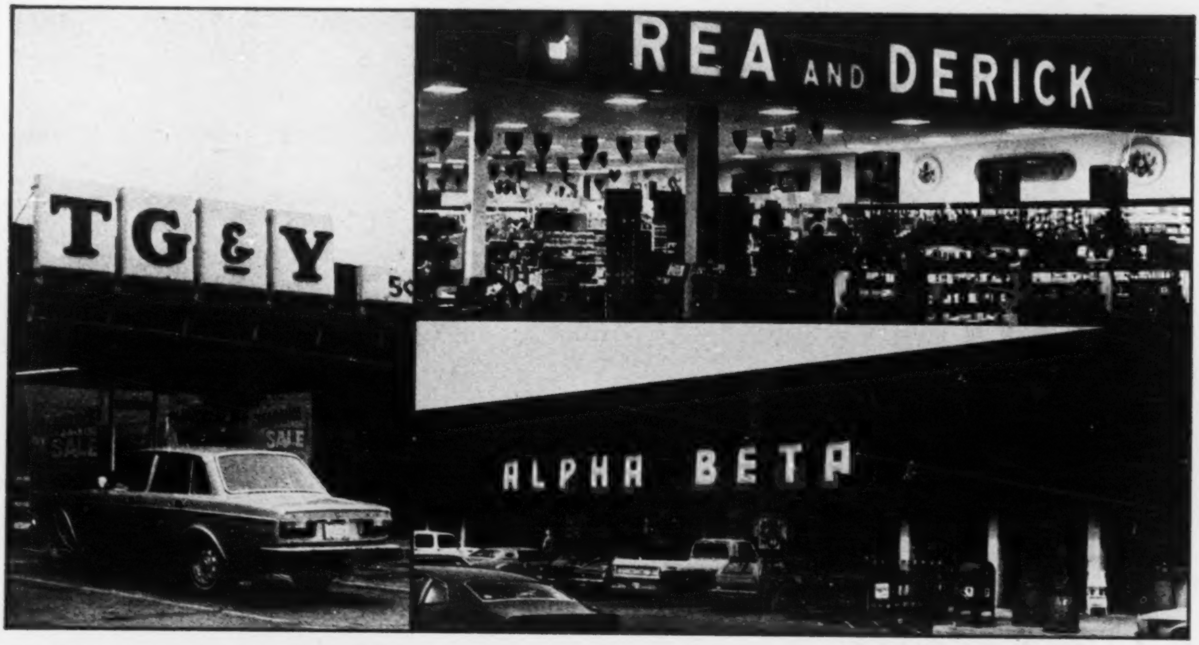
**53 week year
§Corporate parents figures
For additional footnotes, see page 42.





Chain	SALES (in millions)		EARNINGS (in millions)		EARNINGS AS % OF SALES		INVENTORIES AS % OF CURRENT ASSETS			UNITS	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year	ROI	Most Recent Fiscal Year	To Be Built In 1982
261. Danner's 3-D	$ 143.4	$ 118.3	$ 0.9	$ 0.60	0.60	0.5	92.2	87.1	8.3	57	1
262. Kay Jewelry#	140.9	125.5	10.8†	15.00†	7.70	12.0	N/A	N/A	N/A	337	N/A
263. Golden Dawn Food	140.0*	148.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7	N/A
264. Chicago Market	140.0*	131.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20	N/A
265. Athlete's Foot	140.0*	130.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	400	N/A
266. Dan's Supreme	140.0*	116.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	26	N/A
267. Kobacker	135.1	129.8	5.6	2.50	4.20	1.9	N/A	N/A	N/A	333	N/A
268. Hamady Bros.	135.0*	130.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	44	N/A
269. Big Y Food Inc.	135.0*	125.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18	N/A
270. Harmon's City Markets	135.0*	112.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	N/A
271. Winn's	134.4	120.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	228	N/A
272. ZCMI	134.2	127.0	3.2	2.90	2.40	2.3	37.2	34.3	8.0	8	1
273. Genovese	134.2	122.0	1.8	0.50	1.30	0.4	88.2	82.5	12.7	61	N/A
274. Farmer's Market	134.0	128.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16	N/A
275. Dahl's Food Markets	134.0	125.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	N/A
276. Frank's Nursery	133.0	119.4	4.0	4.00	3.00	3.4	76.2	79.9	15.0	88	8
277. Basco	132.0*	128.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
278. Eberhard	131.0*	125.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	35	N/A
279. Sterling Stores Co.	130.7	122.0	0.4	(2.60)	0.30	N/A	80.9	90.4	2.4	60	0
280. D'Urso	130.0*	127.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18	N/A
281. Big John's	130.0*	122.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	115	N/A
282. Schottenstein Stores	129.2	111.3	10.3	6.80	8.00	6.1	78.0	74.6	26.7	17	N/A
283. B & B	125.0*	142.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	52	N/A
284. White Stores	125.0*	119.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	42	N/A
285. Great Scott Foods	125.0*	114.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16	N/A
286. Shop-N-Go	124.9	111.5	5.0	4.50	4.00	4.0	52.2	51.0	22.9	545	N/A
287. Haverty	122.5	110.9	2.0	2.50	1.60	2.3	41.7	43.0	6.1	65	N/A
288. Minnesota Fabrics	122.3	69.9[cc]	6.1	2.40	5.00	3.4	74.7	75.6	19.6	26	N/A
289. Thriftway Inc.	122.0*	120.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18	N/A
290. Zippy Mart Inc.	114.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	330	N/A
291. United Supers	120.0*	119.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	36	N/A
292. Inserra Supers	120.0*	112.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	14	N/A
293. Morton Shoe[a]	120.0*	110.6	N/A	2.30	N/A	2.1	N/A	N/A	N/A	1,000	N/A
294. Grand Auto	120.0*	100.2	2.6	2.10	2.20	2.1	65.3	64.7	14.1	78	N/A
295. Gaylord's	118.3	119.7	0.5	0.60	0.40	0.5	86.2	86.1	3.6	30	N/A
296. Wolonan	118.0*	115.0*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	40	N/A
297. Warehouse Grocery Management	118.0*	114.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	11	N/A
298. Sky City[mm]	116.0*	107.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	64	N/A
299. Cala Foods	115.0*	140.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24	N/A
300. Farm Stores Inc.	115.0*	110.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	250	N/A
301. Royal Farms	115.0*	110.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	21	N/A
302. WareMart	114.0*	112.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20	N/A
303. Phillips-Van Heusen Corp.#	112.4	108.5	7.4	5.30	6.60	4.9	59.0	54.3	7.7	89	0
304. W. Bell	112.0*	105.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
305. Forest City Ent.#	111.0	108.9	(1.6)	(2.70)	N/A	N/A	26.8	27.4	N/A	21	N/A
306. Eagle Family Stores	110.0*	101.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	221	N/A
307. Moore Handley[hh]	106.0*	105.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	51	N/A
308. Butera's Finer Foods	101.0*	114.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17	N/A

N/A Not available or not applicable
*Estimated #Retail only
†Operating profit ( )Loss
[a] Includes United States and Canada
[b] Includes foreign division
[c] Subsidiary of Mobil
[d] Formerly City Products
[f] Includes acquisition of Caldor
[g] For fiscal year ended May 1981, 1982, respectively
[h] Subsidiary of Host Corp.
[i] Total inventories
[j] For fiscal year ended August 1981, 1982 respectively
[k] Division of EMASCO [l] Division of Loblaw
[m] Subsidiary of MCA [n] New fiscal year
[r] Division of Ruddick Corp.
[s] Division of Shonack International
[t] Total company sales
[v] Division of American Financial Corp.
[x] Division of Cole International
[y] Systemwide sales
[z] Subsidiary of Equitable of Iowa
[aa] Consumer products division
[bb] Store division only
[cc] Seven months
[hh] Division of Union Camp Co.
[ll] Division of Lion Cid de la Haize, Belgium
[mm] Division of Interco
[rr] Subsidiary of Pacific Gamble Robinson Co.



Chain and Division	Volume (in millions)		Units	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year
The Kroger Co.	$11,267	$10,317	1,765	1,759
Kroger Food Stores	584	9,682	1,258	1,245
SupeRx Drug Stores	683	635	507	514
Lucky Stores	$ 7,201	$ 6,649	1,576	1,511
Food Stores	4,639	4,169	566	532
Lucky				
Eagle				
Food Basket				
Kash 'N Karry				
Department Stores	1,870	1,665	86	83
Gemco				
Memco				
Specialty Stores	257	230	331	313
Pic-A-Dilly				
It's-A-Dilly				
Yellow Front				
L & G				
Automotive	224	189	316	280
Kragen				
Checker				
Dorman's				
Fabric	144	137	178	167
Hancock				
Fabric Warehouse				
Restaurant	68	78	124	136
Sirloin Stockade				
Fred Gang's				
Cinder's				
American Stores**	$ 7,097	$ 6,420	1,122	1,087
Supermarkets	5,257	4,820	684	695
Acme Markets			359	364
Alpha Beta			325	331
Drug Stores	1,840	1,600	334	392
Rea and Derrick			141	146
Skaggs			193	246

**Divisional sales estimated

Chain and Division	Volume (in millions)		Units	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year
Federated Department Stores	$ 7,068	$ 6,301	462	358
Supermarkets				
Ralphs	1,132	981	101	96
Department Stores			209	193
Bloomingdale's	648	567	16	15
Abraham & Straus	605	548	14	12
Burdine's	566	499	21	21
Foley's	547	453	12	10
Bullock's (L.A.)	500	447	24	22
Rich's	399	352	17	17
Lazarus	376	333	16	15
Sanger-Harris	299	262	13	12
Filene's	289	322	17	15
I. Magnin	258	238	25	24
Shillito's	221	215	9	9
Goldsmith's	125	111	6	4
Rike's	121	116	5	5
Boston Store	112	101	7	6
Bullock's North	89	76	6	5
Levy's	44	39	1	1
Mass Merchandising				
Gold Circle	397	391	36	42
Richway	266	234	23	21
Jewel Companies	$ 5,107	$ 4,268	1,292	1,248
Supermarkets	3,147	3,022	345	345
Jewel Food Stores			207	207
Star Market			52	53
Buttery Food Stores			54	53
Eisner Food & Agency Stores			32	32
Drug Stores	1,455	860	448	426
Osco Drug			294	280
Save-On Drug			154	146
Other Operations	506	386	423	382
White Hen Pantry			262	244
Jewel T Discount Grocery Stores			161	138

	Volume (in millions)		Units	
Chain and Division	**Most Recent Fiscal Year**	**Prev. Fiscal Year**	**Most Recent Fiscal Year**	**Prev. Fiscal Year**
Household Merchandising	[redacted]	$ 4,462	[redacted]	4,619
T.G. & Y.	[redacted]	1,684	[redacted]	915
Vons	[redacted]	1,774	[redacted]	163
Whites*	[redacted]	114	[redacted]	
Home Furnishings	[redacted]	1,928	[redacted]	41
Huffman-Koos	[redacted]		[redacted]	14
Barker's	[redacted]		[redacted]	16
Colby's	[redacted]		[redacted]	4
American Furniture	[redacted]		[redacted]	7

*Prior to sale of Whites in January 1982

	Volume (in millions)		Units	
Chain and Division	**Most Recent Fiscal Year**	**Prev. Fiscal Year**	**Most Recent Fiscal Year**	**Prev. Fiscal Year**
Dayton Hudson	[redacted]	$ 4,034	[redacted]	831
Target	[redacted]	1,532	[redacted]	137
Mervyn's	[redacted]	827	[redacted]	69
Department Stores	[redacted]	1,204	[redacted]	50
Hudson's	[redacted]	642	[redacted]	18
Dayton's	[redacted]	382	[redacted]	16
Diamonds	[redacted]	123	[redacted]	10
John A. Brown	[redacted]	57	[redacted]	6
Specialty Stores	[redacted]	471	[redacted]	575
B. Dalton Booksellers	[redacted]	256	[redacted]	517
Lechmere	[redacted]	163	[redacted]	6
Dayton Hudson Jewelers	[redacted]	53	[redacted]	52
F. W. Woolworth Co.*	[redacted]	$ 4,687	[redacted]	4,315
Woolworth	[redacted]	1,699	[redacted]	2,732
Woolco	[redacted]	2,027	[redacted]	462
Kinney Shoe Corp.	[redacted]	1,012	[redacted]	2,382
Kinney Stores	[redacted]	814	[redacted]	1,491
Susie's Casual Stores	[redacted]		[redacted]	275
Foot Locker Stores	[redacted]	99	[redacted]	197
Frugal Frank's Shoe Outlet	[redacted]		[redacted]	0

Lord & Taylor

	Volume (in millions)		Units	
Chain and Division	**Most Recent Fiscal Year**	**Prev. Fiscal Year**	**Most Recent Fiscal Year**	**Prev. Fiscal Year**
Richman Brothers	[redacted]	179	[redacted]	326
Richman	[redacted]		[redacted]	218
Anderson-Little	[redacted]		[redacted]	108
J. Brannam	[redacted]		[redacted]	27
and	[redacted]	28	[redacted]	
Shirt Closet	[redacted]		[redacted]	30

*Figures are for United States only

	Volume (in millions)		Units	
Chain and Division	**Most Recent Fiscal Year**	**Prev. Fiscal Year**	**Most Recent Fiscal Year**	**Prev. Fiscal Year**
May Department Stores	[redacted]	$ 3,150	[redacted]	1,516
Department Stores**	[redacted]	2,359	[redacted]	133
May Co. (Calif.)	[redacted]	548	[redacted]	31
Hecht Co.	[redacted]	337	[redacted]	21
Famous-Barr	[redacted]	316	[redacted]	12
Kaufmann's	[redacted]	269	[redacted]	10
The May Co. (Clev.)	[redacted]	212	[redacted]	10
Meir & Frank	[redacted]	167	[redacted]	7
G. Fox & Co.	[redacted]	159	[redacted]	8
M. O'Neil	[redacted]	124	[redacted]	10
May D & F	[redacted]	105	[redacted]	9
Strouss	[redacted]	76	[redacted]	9
May-Cohens	[redacted]	45	[redacted]	6
Venture	[redacted]	561	[redacted]	45
Volume Shoe	[redacted]	230	[redacted]	978

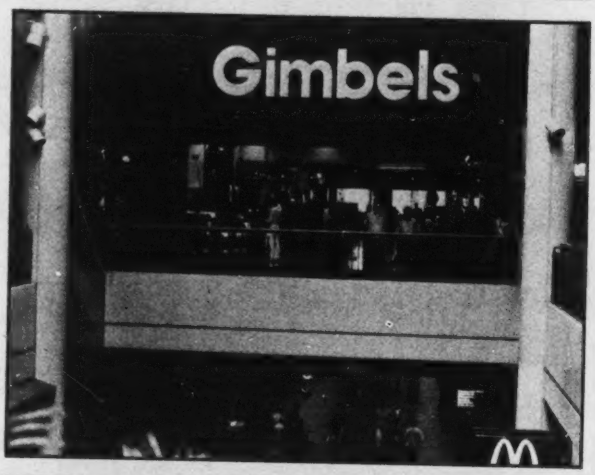
**Divisional sales estimated

	Volume (in millions)		Units	
Chain and Division	**Most Recent Fiscal Year**	**Prev. Fiscal Year**	**Most Recent Fiscal Year**	**Prev. Fiscal Year**
Supermarkets General	[redacted]	$ 2,629	[redacted]	287
Pathmark	[redacted]	2,292	[redacted]	116
Department Stores	[redacted]	173	[redacted]	37
Hochschild, Kohn				
Howland-Steinbach				
Rickel Home Centers	[redacted]	164	[redacted]	30
Melville	[redacted]	$ 2,332	[redacted]	4,547
Footwear				
Meldisco	[redacted]	629	[redacted]	1,775
Thom McAn	[redacted]	470	[redacted]	1,244
Open Country	[redacted]	16	[redacted]	73
Woodbridge	[redacted]	—	[redacted]	—
Drugs, Health & Beauty Aids				
CVS	[redacted]	414	[redacted]	408
Apparel				
Marshalls	[redacted]	461	[redacted]	84
Foxmoor	[redacted]	172	[redacted]	527
Chess King	[redacted]	122	[redacted]	436
J. Putnam	[redacted]	—	[redacted]	—
Toys				
Kay Bee	[redacted]	—	[redacted]	—
Associated Dry Goods**	[redacted]	$ 1,952	[redacted]	215
Department Stores	[redacted]	1,492	[redacted]	133
The Diamond	[redacted]	15		2
J. W. Robinson (Calif.)	[redacted]	320		19
L. S. Ayres	[redacted]	170		12
Joseph Horne	[redacted]	150		13
Stix, Baer, & Fuller	[redacted]	141		14
Stewart & Co.	[redacted]	110		5
Sibley, Lindsay, & Curr*	[redacted]	105		9
Hahne & Co.	[redacted]	102		8
Denver Dry Goods	[redacted]	100		13
Goldwaters	[redacted]	56		7
Pogue's	[redacted]	55		5
Stewart Dry Goods	[redacted]	55		7
Robinson's (Fla.)	[redacted]	50		7
Powers Dry Goods	[redacted]	43		7
Specialty Stores		460	[redacted]	
Lord & Taylor	[redacted]			
Sycamore	[redacted]			
Discount Department Stores				
Caldor	[redacted]		[redacted]	

*Includes Hengerer figures resulting from merger **Divisional sales estimated

Chain and Division	Volume (in millions)		Units	
	Most Recent Fiscal Year	Prev. Fiscal Year	Most Recent Fiscal Year	Prev. Fiscal Year
Allied Stores	$ 2,733	$ 2,268	512	226
Jordan Marsh (N.E.)	416	387	14	14
The Bon	344	305	35	32
Joske's	316	296	28	27
Maas Bros.	280	259	19	19
Jordan Marsh (Fla.)	201	184	13	13
Pomeroy's	128	121	14	14
Stern's	121	117	7	7
Gertz	121	88	8	4
Donaldsons	107	101	9	10
Bonwit Teller	97	84	13	11
Block's	88	80	9	8
Read's	75	72	5	5
Cain-Sloan	60	57	4	4
Troutman's	42	40	6	8
Garfinckel, Brooks Bros., Miller & Rhoads	543	472	65	227
Deys			4	4
Plymouth			45	36
Ann Taylor			37	—
Millers			11	—
Catherines Stout Shoppes			123	—
Harzfelds			6	—
Herp's—Hardy's			4	2
Heer's			2	2
Wren's			2	1
Field's			2	1
Levy's			1	1
R. H. Macy & Co.**	$ 2,657	$ 2,374	92	87
Macy's New York	903	804	15	15
Bamberger's	732	637	23	20
Macy's California	621	544	21	19
Davison's	214	191	12	12
Macy's Missouri	186	180		
Kansas			13	13
La Salle's			8	8
Dillon Companies	$ 2,494	$ 2,077	573	553
Supermarkets	2,244	1,880	216	212
King Soopers			23	53
Dillon Stores			57	57
Fry's Food Stores			58	54
City Market			27	25
Dillon Springfield			22	23
Convenience Stores	224	178	336	324
Kwik Shop			131	122
Time Saver Stores			122	116
Quik Stop Markets			85	86
All other companies	26	20	19	17
D. G. Calhoun				
Stop & Shop Companies	$ 2,168	$ 2,058	379	372
Stop & Shop Supermarkets	1,292	1,292	144	144
General Merchandise				
Bradlees	719	634	91	89
Medi-Mart	110	99	48	46
Off The Rax	32	20	68	44
C. B. Perkins	15	13	40	49
BATUS**	$ 2,158	$ 2,038	171	166
Department Stores	740	700	38	39
Gimbels (N.Y.)	250	—	10	11
Gimbels (Milwaukee)	170	—	11	11
Gimbels (Philadelphia)	170	—	10	10
Gimbels (Pittsburgh)	150	—	7	7
Specialty Stores	818	704	57	50
Saks				
Kohl's				
Thimbel's				
Supermarkets	600	634	76	77
Kohl's				
Rapid American	$ 1,804	$ 1,669	1,773	1,744
Lerner Stores	717	686	767	717
McCrory Stores	762	674	729	753
Otasco	291	259	277	266
Britt's Department Stores and Others	34	50	1	8
Zayre	$ 1,797	$ 1,594	567	531
Discount Department Stores	1,433	1,348	258	248
Zayre Specialty Stores	364	246	309	283
Hit or Miss			245	240
T. J. Maxx			64	48
W. R. Grace	$ 1,208	$ 1,065	504	458
Home Centers	794	687	264	245
Channel			89	85
Handy City			53	49
Cashways/Allwoods			12	12
Orchard Supply House			9	9
Jewelry & Sporting Goods	294	274	165	155
J. B. Robinson Jewelers	51		73	63
Herman's World of Sporting Goods	243		92	92
Leisure Apparel				
Bermans The Leather Experts			65	50
Sheplers			10	8
Marshall Field & Co.	$ 1,194	$ 1,013	77	
Marshall Field Chicago	610		19	
Frederick & Nelson	190		15	
J. B. Ivey	170		22	
Breuners			18	
The Crescent			3	
SCOA Industries	$ 1,058	$ 942	931	937
General Merchandise	836	713	226	222
Hills' Department Stores			93	86
Rudnick			89	89
Dry Goods			4	4
Kelly & Cohen			40	43
Footwear	222	257	705	715
Gallenkamp & Duet				
Edison Brothers	$ 951	$ 853	2,114	1,972
Edison Brothers	536	474	1,192	1,125
Handyman	205	194	80	75
Jeans West/Oak Tree			357	316
Sizes 5-7-9 Shops	210	186	206	200
Fashion Conspiracy			274	256

**Divisional sales estimated



$100 million club index

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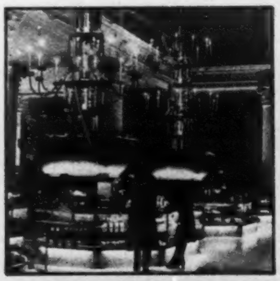

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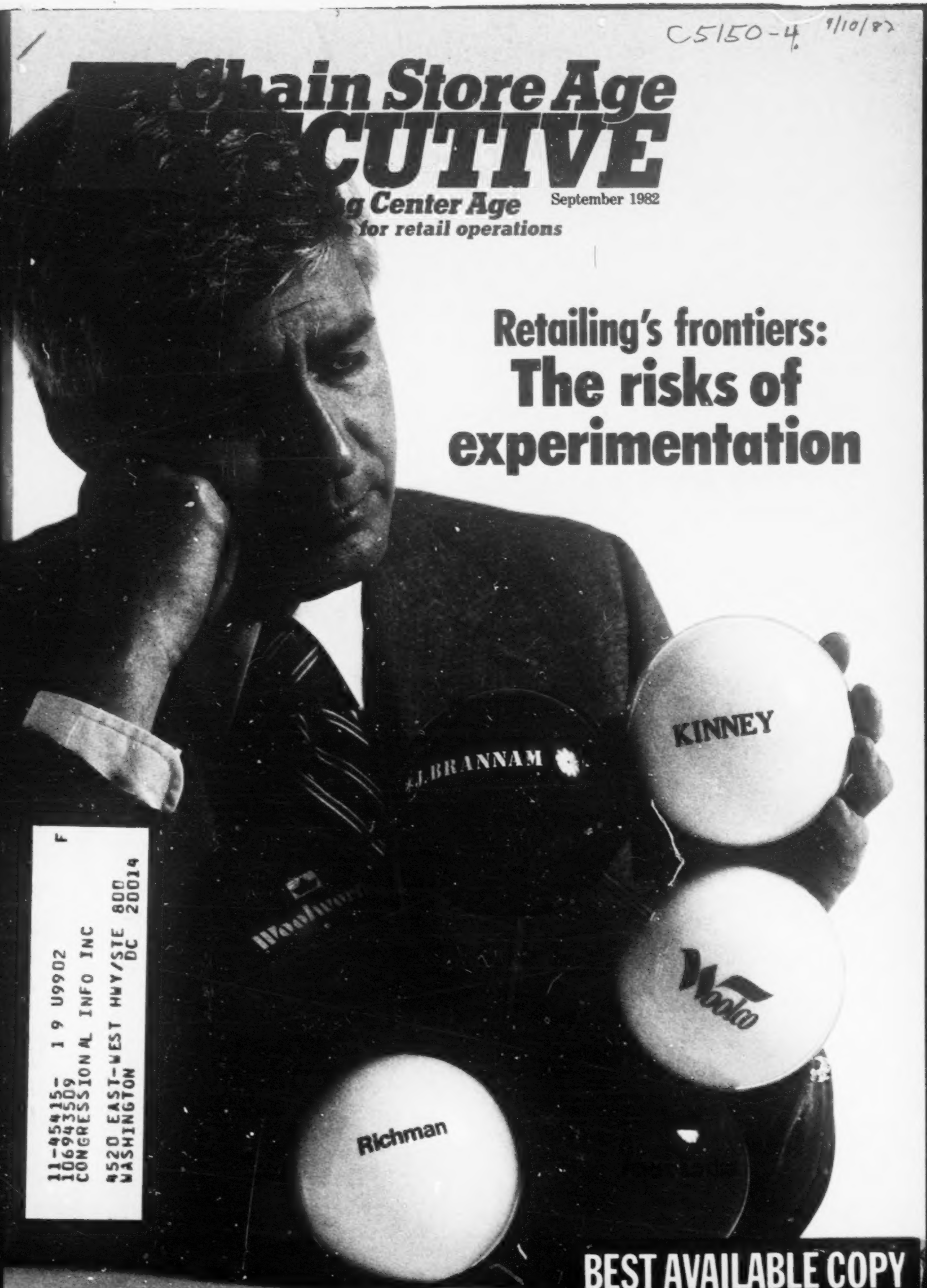
September 1982



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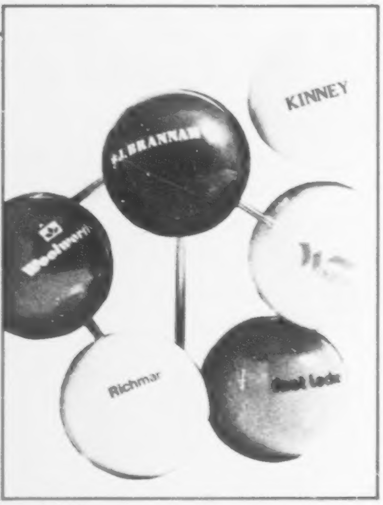

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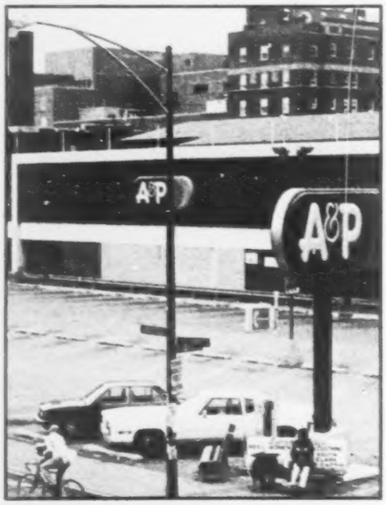

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Retail PACs: Shopping for influence

Question: Which political organization wouldn't support Ted Kennedy if their Middletown Shopping Mall Urban Development Action Grant (U.D.A.G.) depended on it?

Answer: The Sears Political Action Committee.

Question: Which political organization supported both Ted Kennedy and Barry Goldwater in the current round of elections?

Answer: The J. C. Penney Political Action Committee.

But if you think that's confusing, you should try to *run* a political action committee. One retail lobbyist says he gets 20 money requests per day from legislators—any one of whom could harpoon their hypothetical U.D.A.G. project, or cast the deciding vote on a Universal Products Code mandate. When you have stores in 50 states, your interests cross all political boundaries, according to some political analysts. Others, like Sears' lawyer John G. Cashman, say if business wants to have clout, it's got to forget about the short term gain and support "pro-business" candidates to the exclusion of all the rest, friend or foe.

Under post-Watergate laws, PACs are the last source of block funding available

Political action committees, PACs, as they are called, were a big part of the movement that swept Ronald Reagan and a Senate full of Republicans into office. Under post-Watergate election laws, PACs are the last remaining source of block funding available, and most incumbent legislators rely on substantial amounts of PAC contributions for their election campaigns.

Retailers, especially large publicly held companies like Sears and J. C. Penney, are lining up for a chance to bask in the new-found political prominence.

By one estimate, retail PACs are expected to grow to $2 million in the current election year, up from $1 million in the 1980 elections. Winn-Dixie, with its estimated $400,000 political fund, is the top contributor among retailers. Food Marketing Institute's FoodPAC and Sears PAC are expected to add between $150,000 and $200,000 each. Penney most likely will add about $100,000.

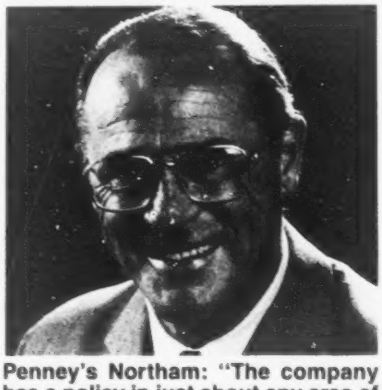
While the PACs started by retailers represent only a small portion of the $80 million in political funds anticipated from business and labor PACs this election year, the contributions are growing in relation to the total of campaign spending.

How best to soak up the new influence that's supposed to be available is still a matter of debate among corporate Government affairs officers. The two most common PAC approaches could be described as the "Mouse in the Jungle" theory and the "Men of Good Will" theory. One of the ironies of corporate political finance is that the old competitors, Sears and Penney, find themselves on opposite sides of this political fence. Their merchandising methods might be similar, but not their political appendages: Sears is the 75% Republican, all business PAC; Penney is the "democratic PAC."

If you can describe him from a telephone conversation, Sears' PAC manager Cashman, is probably a robust, tanned executive with a sprig of sagebrush emanating from the pocket of his dark blue business suit. "We are completely aimed at economic issues," he says in an interview.

Candidates who get the support of the Sears PAC are those who support the "pro-business and free market" philosophy. "Nothing else enters into our equation. *Nothing,*" says Cashman, explaining why liberal Democrats like Ted Kennedy, and other "Keynsians" probably couldn't get Sears PAC funding.

Cashman says the amount being sent to political candidates is small, so funding should supply as much leverage as possible. The Sears attorney says he finds it absurd that any politician would actually "sell out" for the amounts given by the PACs. Giving money to a candidate who is philosophically at odds with your PAC doesn't make sense, he argues. "It doesn't do you much good because he's not your real support—I don't think access [nonphilosophical] support really works. I remember the days when you could go up to Clement Stone [a financier



Penney's Northam: "The company has a policy in just about any area of tax legislation."

implicated in Committee to Re-Elect President Nixon wrongdoings] and give him a half million dollars—those days are gone. Our PAC has $150,000 to $160,000. That's not enough to buy anybody."

Pragmatic PAC managers make contributions to supportive legislators

Instead of giving ersatz bribes, he says, "what we try to do is push our ideas out with the $500 to $1,000 checks we send to political campaigns." The sermonette is simple, says Cashman: Government should reduce the "aggregate tax burden" and stop increasing in size. "We're for less Government intervention and less Government involvement in business," adds Cashman. "We're not saying it[Government] has to go away—we're just saying there's enough already."

If Cashman is flintrock, his counterparts at the Penney PAC are computer printouts and management studies. When Penney decides on funding for a candidate, the company PAC representatives go through a plethora of issues and concerns, in which the "internal process" is almost as important as the external, according to some observers.

Penney prides itself on the fact any employee who donates to the PAC fund can designate which candidate receives the money. (At Sears, if an employee makes such a designation on his contribution "we send it back to him and tell him he can send the check to the candidate himself," says Carl Brauweiller, treasurer of Sears PAC.)

In the selection of candidates, Penney also allows strong input from store managers and executives who are members of the various PAC committees. For each of the 50 states, Penney has a store manager chosen from the ranks to be a Government affairs leader.

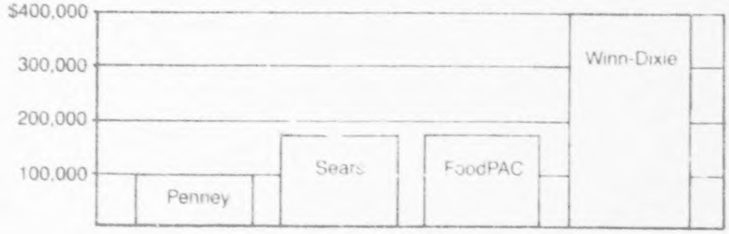
Every year the 50 representatives from Penney meet in Washington for intensive Government seminars. As Penney's general attorney Charles Lotter puts it, the meetings are akin to large forums, in which the company tries to get its ideas across. "The company has a policy in just about any area of tax legislation," says Robert E. Northam, chief financial officer for Penney and PAC treasurer. "We make sure our company position is articulated for all our people and when they return to their respective states, hopefully, they'll be spokesmen for the company on the issues."

Sears' Cashman: If business wants to have clout, it's got to support "pro-business" candidates exclusively.

One financial analyst says the more democratic setup of Penney's PAC could be a reflection of the company's overall management approach. "Penney has tended to give local people more responsibility than Sears has," the analyst says. "The field people are allowed more individual creativity from a merchandising and operations point of view, and this [PAC] may be an extension of that."

Ultimately, the Penney PAC, democratic with a small "d," gives more to Democrats with the large "D" than the average business PAC. In its most recent filing with the Federal Election Commission, two-thirds went to Democratic party candidates. (In one of the anomalies of the democratic process, Ted Kennedy and Barry Goldwater *both* received the support of the PAC.) "We feel if a person feels strongly enough, he has a right to decide where his money should go. It's his money," says Lotter.

Top retail PACs
(estimated 1981-82)



But like most business PACs, Penney uses its political cache to give to the campaigns of legislators "on committees that are important to the corporation," says Lotter. It's what American Retail Federation president Lloyd Hackler calls "walkin' around money." Others call it "access money."

Pragmatic PAC managers make their contributions to legislators whose stands support their industry, says FMI's PAC manager Harry Sullivan. Tax, transportation, agriculture, energy and pension committees are keys for his industry, he says. As a result, a Congressman like Brooklyn's Fred Richmond, with a strong liberal voting record, gets funding from FoodPAC by virtue of his position on the agriculture committee, though philosophical PACs like Sears might find Richmond to be loathesomely liberal.

While the two schools —the "access" and "philosophical"—are poles apart in deed, in basic outlook they are in agreement. They both hold the belief that they are in business to support their own industry, and there is a limited pool of money for doing it. The representatives of retailers in Washington say the retail industry has lagged far behind others raising funds for campaigns.

Sears' Cashman says he believes that's because retail business has attracted entrepreneurs who are "the type of person who only wants to run his own business and just wants Government to get off his back." Hence, the retailers have simply ignored Washington.

Retailers were among the first to embrace the "free market philosophy," says Cashman. So now that the political pendulum has swung perceptibly in that direction, some retailers are looking more hopefully toward the capital for help.

Among the optimists is David Glass, executive vp at Wal-Mart, whose company decided this year that it would start its own PAC. Glass says he believes there is a growing awareness among retailers that they must involve themselves in the political process. "We, as a company, have a responsibility to participate in Government," says Glass. "If we don't, then we'll have problems." ■

—Richard Satran